REPUBLIC OF KENYA

THE NATIONAL TREASURY AND PLANNING

DRAFT 2021 BUDGET REVIEW AND OUTLOOK PAPER

24TH AUGUST, 2021

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Foreword

The 2021 Budget Review and Outlook Paper (BROP) has been prepared against a background of expected global recovery after a slump in 2020 occasioned by the negative effects of the COVID-19 pandemic. The global economy is projected to grow by 6.0 percent in 2021, from a contraction of 3.2 percent in 2020. However, economic prospects vary across countries with the emerging markets and developing economies expected to pick up slowly compared to the advanced economies given different country policy responses to the pandemic. The projected recovery in advanced economies, reflects the anticipated additional fiscal support in the second half of 2021 and broader vaccinations coverage across the group.

On the domestic scene, economic growth is expected to rebound to 6.2 percent in FY 2021/22 from the slowdown in FY 2020/21 and remain above 6.0 percent over the medium term. This recovery reflects the lower base effect of 2020 when most service sectors were adversely affected by the closure of the economy. The outlook in 2021 will be reinforced by the prevailing stable macroeconomic environment and the ongoing implementation of the strategic priorities of the Government under the "Big Four" Agenda and Economic Recovery Strategy. Weather conditions are expected to be favourable to support agricultural output. As a result, export of goods and services will expand as global demand normalizes.

The fiscal performance in the FY 2020/21 was satisfactory despite the slight underperformance in revenue and elevated expenditures associated with the adverse impact of COVID-19 pandemic. The shortfalls in revenue reflect the weak business environment as a result of the adverse impact of the COVID-19 pandemic containment measures adopted in March 2020, and tax relief measures that were implemented in April 2020 to support and cushion people and businesses. In light of this, the fiscal policy supporting the FY 2021/22 budget is designed to support resilient and sustainable economic recovery as well as inclusive growth, mobilize resources and reduce the fiscal deficit. The Government will continue with its policy on expenditure prioritization, implement the cost–cutting measures including parastatal reforms and align resources to programmes under the "Big Four" Agenda and those supporting the Economic Recovery Strategy.

The budget for the FY 2022/23 is being prepared under a revised budget calendar that takes into account the preparations for the 2022 General Elections. Therefore, Ministries, Departments and Agencies (MDAs) are expected to adhere to the strict deadlines in the revised budget calendar to enable finalization and appropriation of the FY 2022/23 budget by March 2022. Considering the tight resource envelope that is available for FY 2022/23 budget, all the Sector Working Groups are required to carefully scrutinize all proposed MDAs budgets and ensure strict adherence to sector ceilings provided in this document.

HON. (AMB.) UKUR YATANI, EGH
CABINET SECRETARY/ THE NATIONAL TREASURY & PLANNING

Acknowledgement

The 2021 BROP has been prepared in accordance with the Public Finance Management (PFM) Act, 2012 and its Regulations. The document provides the fiscal outturn for the FY 2020/21, the macro-economic projections and sets sector ceilings for the FY 2022/23 and the Medium Term Budget. The document also provides an overview of how the actual performance of the FY 2020/21 affected compliance with the fiscal responsibility principles and the financial objectives outlined in the PFM Act as well as information showing adjustments made in the projections outlined in the 2021 Budget Policy Statement.

We are operating under tight resource constraints amidst significant revenue shortfalls occasioned by declining economic activities as a result of the adverse effects of the COVID-19 Pandemic. Thus, all Sector Working Groups (SWGs) are expected to ensure that their budgets are aligned to the overall Government priorities while taking into account the resource constraints. So far, budget implementation for FY 2021/22 has picked up smoothly and we expect this to continue during the remainder of the financial year. We have put in place a budget implementation and monitoring framework at the National Treasury to ensure that budget implementation by all spending units is strictly adhered to as per the cash plans provided.

The preparation of the 2021 BROP was a collaborative effort among various Government Agencies. We thank all the Government Ministries, Departments and Agencies as well as other spending units for the timely provision of useful data and information on their budget execution for the FY 2020/21. We are also grateful to the Macro Working Group, that reviewed this document to ensure it satisfies the PFM Act, 2012 and set out the sector ceilings contained therein to guide the rest of the sectors in the preparation of their 2022/23 budgets. This document also benefitted from key inputs from various Directorates and Departments within the National Treasury and Planning. I wish to thank the core team from the Macro and Fiscal Affairs Department and the Budget Department that coordinated the finalization of this document.

Finally, allow me to thank all institutions that we consulted as well as the public for the useful comments and inputs. I wish to reiterate the importance of public participation in the FY 2022/23 and the Medium Term Budget preparation process by calling on all Sector Working Groups to ensure engagement and open public and stakeholders' participation and incorporation of the proposals received.

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Abbreviations and Acronyms

A-i-A	Appropriation in Aid
BPS	Budget Policy Statement
BROP	Budget Review and Outlook Paper
CARB	County Allocation of Revenue Bill
CBK	Central Bank of Kenya
CBR	Central Bank Rate
CF	Contingency Fund
CFS	Consolidated Fund Services
CG	County Government
DORB	Division of Revenue Bill
FISM	Financial Intermediation Services Indirectly Measured
FY	Financial Year
GDP	Gross Domestic Product
GFS	Government Finance Statistics
GOK	Government of Kenya
ICT	Information, Communication and Technology
IMF	International Monetary Fund
KNBS	Kenya National Bureau of Statistics
MDAs	Ministries, Departments and Agencies
MTP	Medium Term Plan
NG	National Government
NSE	Nairobi Securities Exchange
MTEF	Medium Term Expenditure Framework
NCDF	National Constituency Development Fund
NDA	Net Domestic Assets
NFA	Net Foreign Assets
OSR	Own Source Revenue
PAYE	Pay As You Earn
PFM	Public Finance Management
PV	Present Value
SGR	Standard Gauge Railway
SWGs	Sector Working Groups
WEO	World Economic Outlook
VAT	Value Added Tax

Legal Basis for the Publication of the Budget Review and Outlook Paper

The Budget Review and Outlook Paper is prepared in accordance with Section 26 of the Public Finance Management Act, 2012. The law states that:

1) The National Treasury shall prepare and submit to -Cabinet for approval, by the 30th September in each financial year, a Budget Review and Outlook Paper, which shall include:

    a. Actual fiscal performance in the previous financial year compared to the budget appropriation for that year;

    b. Updated macro-economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent Budget Policy Statement

    c. Information on how actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles or the financial objectives in the latest Budget Policy Statement; and

    d. The reasons for any deviation from the financial objectives together with proposals to address the deviation and the time estimated to do so.

2) Cabinet shall consider the Budget Review and Outlook Paper with a view to approving it, with or without amendments, not later than fourteen days after its submission.

3) Not later than seven days after the BROP has been approved by Cabinet, the National Treasury shall:

    a. Submit the paper to the Budget Committee of the National Assembly to be laid before each house of Parliament; and

    b. Publish and publicize the paper not later than fifteen days after laying the Paper before Parliament.

Fiscal Responsibility Principles in the Public Finance Management Act

In line with the Constitution, the Public Finance Management (PFM) Act, 2012, sets out the fiscal responsibility principles to ensure prudent and transparent management of public resources. The PFM law (Section 15) states that:

1) Over the medium term, a minimum of 30% of the national budget shall be allocated to development expenditure

2) The national government's expenditure on wages and benefits for public officers shall not exceed a percentage of the national government revenue as prescribed by the regulations.

3) Over the medium term, the national government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure

4) Public debt and obligations shall be maintained at a sustainable level as approved by Parliament (NG) and county assembly (CG)

5) Fiscal risks shall be managed prudently

6) A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in the future

Executive Summary

The 2021 BROP has been prepared in accordance with the PFM Act, 2012 and its Regulations. The document provides an overview of the government's financial performance for the FY 2020/21 including compliance with the fiscal responsibility principles and the financial objectives spelt out in the PFM Act. It also shows macro-economic projections and the sector ceilings for the FY 2022/23 and the medium-term budget as well as information on variations from the projections outlined in the 2021 Budget Policy Statement.

The global economy is projected to recover from the effects of the COVID-19 pandemic and its subsequent containment measures that caused the economy to contract by 3.2 percent in 2020. The global economy is projected to grow by 6.0 percent in 2021. Similarly, economic growth in the sub-Saharan Africa region is projected to expand by 3.4 percent in 2021 from a contraction of 1.8 percent in 2020. The Kenyan economy is projected to recover from the negative impact of the Pandemic and attain a robust growth of 6.2 percent in FY 2021/22 and maintain a growth of above 6.0 percent over the medium term.

The fiscal performance in the FY 2020/21 was satisfactory despite the slight underperformance in revenue and elevated expenditures associated with the adverse impact of COVID-19 pandemic. In particular, severe disruptions on economic activities in the first half of the FY 2020/21 arising from the COVID-19 pandemic containment measures coupled with tax reliefs implemented by Government in April 2020 to cushion Kenyans majorly explain the subdued revenue performance. However, revenue performance gradually picked up beginning November 2020 following the reopening of the economy and the reversal of tax relief measures that was implemented in January 2021. Thus, total revenue collection including A-i-A amounted to Ksh 1,783.7 billion against the revised target of Ksh 1,837.8 billion reflecting a shortfall of Ksh 54.1 billion. On the other hand, total expenditure and net lending was Ksh 2,754.9 billion against a target of Ksh 2,886.9 billion reflecting a shortfall of Ksh 131.9 billion. The underspending is mainly due to the lower absorption of recurrent expenditure by Ksh 23.0 billion and development expenditure by Ksh 109.0 billion. As a result, the fiscal deficit (including grants) for the FY 2020/21 was Ksh 950.2 billion (8.5 percent of GDP) against a targeted deficit of Ksh 976.2 billion (8.7 percent of GDP).

Going forward into FY 2021/22 and the medium-term budget, the fiscal policy design is to support economic recovery, reduce fiscal deficit and improve our debt sustainability indicators. The fiscal policy aims to raise revenues from the projected 16.5 percent of GDP in FY 2021/22 to 17.5 percent of GDP in FY 2022/23 and further to 18.3 percent of GDP over the medium term. On the other hand, total expenditures are projected to decline from 24.5 percent of GDP in FY 2021/22 to 23.5 percent of GDP in FY 2022/23 and 22.6 percent of GDP over the medium term allowing the overall fiscal deficit to decline from 7.5 percent of GDP in FY 2021/21 to 5.6 percent of GDP in FY 2022/23 and further to 4.0 percent of GDP over the medium term.

During this period of COVID-19 Pandemic, the Government is committed to protect lives and livelihoods, cushion the vulnerable and support economic recovery to promote employment creation and poverty reduction. To achieve this, the Government is implementing the Economic Recovery Strategy, the “Big Four” Agenda and other priority programmes as espoused in the third Medium Term Plan (MTP III) of the Vision 2030 to foster a resilient and sustainable economic recovery and inclusive growth. However, this economic outlook may be affected by emerging domestic and external risks such as emergence of new COVID-19 variants, adverse weather conditions and increased public expenditure pressures. The Government will continue to monitor these risks and respond appropriately to safeguard the economy.

I. INTRODUCTION

Objective of the 2021 Budget Review and Outlook Paper

1. The 2021 BROP provides a review of the fiscal performance for the financial year 2020/21 including adherence to the objectives and principles outlined in the 2021 Budget Policy Statement (BPS) and the PFM Act, 2012. It also provides a basis for the revision of the current budget and the financial policies underpinning the medium-term plan. The 2021 BROP will guide development of the 2022 BPS that will summarize the various projects and initiatives undertaken during the Third Medium Term Plan (MTP III 2018-2022).

2. The COVID-19 Pandemic had significant impact on the business environment and occasioned a depressed outcome in overall revenue collection in FY 2020/21. The performance of revenue collection and lower absorption by projects funded through external loans and grants meant slightly lower expenditure in the FY 2020/21 affecting the financial objectives outlined in the 2021 BPS. The 2021 BROP therefore, presents a revised fiscal outlook taking into account the revenue performance by end June 2021 and uncertainty occasioned by COVID-19 Pandemic and its impact on economic activities.

3. As required by the PFM Act, 2012, the annual budget process aims to improve the efficiency and effectiveness of revenue mobilisation and government spending to ensure debt sustainability and stimulate economic activity. In this regard, this BROP provides sector ceilings which will guide the budget preparation process for the FY 2022/23 and the medium term. The sector ceilings are based on the overall resource envelope that is informed by the medium-term macro-fiscal projections as presented in sections III and IV of this document. Sector ceilings in this BROP are aligned to the implementation of the Economic Recovery Strategy, programmes under the “Big Four” Agenda and other priority programmes outlined in MTP III which aim to re-position the economy on a resilient and sustainable growth trajectory, improve living conditions and create more jobs for Kenyans.

4. The rest of the document is organized as follows: Section II provides a review of the fiscal performance for the FY 2020/21 and its implications on the financial objectives set out in the 2021 BPS; Section III highlights the recent economic developments and outlook; Sections IV and V present the proposed resource allocation framework and conclusion, respectively.

II. REVIEW OF FISCAL PERFORMANCE FOR THE FY 2020/21

A. FY 2020/21 Fiscal Performance

Revenue Performance

5. Budget execution in FY 2020/21 was satisfactory, though hampered by the impact of COVID-19 pandemic on the business environment. Total cumulative revenue including Appropriation in Aid (A-i-A) collection recorded a marginal annual contraction of 0.7 percent from the previous financial year. The contraction in revenue collection reflects the weak business environment as a result of the adverse economic impact of COVID-19 pandemic and the ensuing containment measures. Nevertheless, in the second half of FY 2020/21, revenue collection got a boost after some of the tax relief measures were reversed in January 2021.

6. Total cumulative revenue including Appropriation in Aid for FY 2020/21 amounted to Ksh 1,783.7 billion against a revised target of Ksh 1,837.8 billion (**Table 1**), indicating a shortfall of Ksh 54.1 billion. Ordinary revenue collection amounted to Ksh 1,562.0 billion against a target of Ksh 1,578.8 billion. Collections from the main tax categories were broadly on target with Value Added Tax and Import Duty above the revised target by Ksh 7.7 billion and Ksh 6.0 billion, respectively. On the other hand, excise and income taxes fell below their revised targets by Ksh 1.7 billion and Ksh 3.0 billion, respectively. The good performance in the main tax categories was however dampened by poor collection from the 'Other revenues' category which was below target by Ksh 25.8 billion. This was due to lower than anticipated mop up of idle cash from state corporations, accounting for Ksh 20.3 billion of the shortfall in this category.

Table 1: Government Revenue and External Grants, FY 2020/21 (Ksh Million)

	2019/2020 Actual	2020/2021		Deviation KSh.	% Growth
		Actual*	Target		
Total Revenue (a+b)	**1,795,978**	**1,783,747**	**1,837,835**	**(54,089)**	**(0.7)**
(a) Ordinary Revenue	**1,573,732**	**1,562,015**	**1,578,787**	**(16,772)**	**(0.7)**
Import Duty	98,022	108,375	102,418	5,957	10.6
Excise Duty	195,270	216,325	217,984	(1,659)	10.8
PAYE	399,201	363,343	361,025	2,318	(9.0)
Other Income Tax	307,735	330,709	335,985	(5,276)	7.5
VAT Local	213,884	197,072	197,606	(534)	(7.9)
VAT Imports	169,829	213,687	205,493	8,194	25.8
Investment Revenue	46,045	43,762	32,568	11,195	(5.0)
Withdrawal of Equity	70,101	4,122	24,400	(20,278)	(94.1)
Traffic Revenue	3,573	4,600	3,948	652	28.8
Taxes on Intl. Trade & Trans.(IDF Fee)	29,994	39,743	35,642	4,101	32.5
Others [1]	40,077.48	40,277	61,718	(21,441)	0.5
(b) Appropriation In Aid	**222,246**	**221,732**	**259,048**	**(37,317)**	**(0.2)**
(c) Grants	**19,820**	**31,320**	**72,797**	**(41,476)**	**58.0**
Total Revenue and Grants	**1,815,798**	**1,815,067**	**1,910,632**	**(95,565)**	**(0.0)**
Total Revenue and Grants as a percentage of GDP	**17.81**	**16.25**	**17.11**	-	-

1/ includes rent on land/buildings, fines and forfeitures, other taxes, loan interest receipts reimbursements and other fund contributions, fees, and miscellaneous revenue.

*Provisional

Source of Data: National Treasury

7. The A-i-A collection recorded a shortfall of Ksh 37.3 billion as a result of a difficult operating environment that slowed down activities in MDAs. In particular, agencies in the education and tourism sectors bore the greater impact of the pandemic as travel was restricted and schools were closed for long periods during the financial year.

8. Grants amounted to Ksh 31.3 billion against a revised target of Ksh 72.8 billion, translating to a shortfall of Ksh 41.5 billion. Of these external grants, programme grants (AMISOM reimbursements) amounted to Ksh 8.9 billion against a target of Ksh 8.7 billion while project grants revenue amounted to Ksh 9.4 billion against a target of Ksh 16.3 billion. Project grants (A-i-A) were at Ksh 13.0 billion against a target of Ksh 23.8 billion.

9. During the FY 2020/21, the Government collected Ksh 47.9 billion of investment income in the form of dividends, surplus funds and directors' fees against a revised target of Ksh 64.5 billion (**Table 2**). However, the mop-up of surplus or idle funds from the parastatals, an exercise which was initiated in FY 2019/20 did not yield much in FY 2020/21 at the backdrop of the COVID-19 pandemic managing only Ksh 4.1 billion compared to the target of Ksh 24.4 billion. State agencies with on-lent loans from the National Government paid interest of Ksh 2.1 billion surpassing the revised target of Ksh 1.9 billion.

Table 2: Investment Income for the FY 2020/21 (Ksh Million)

	FY 2019/20	FY 2020/21	
	ACTUAL RECEIPTS	REVISED ESTIMATES	ACTUAL RECEIPTS
OTHER PROFITS & DIVIDENDS	34,640.8	32,536.0	37,582.3
DIVIDENDS FROM CBK	11,387.7	7,500.0	7,500.0
SURPLUS FUNDS[1]	70,100.8	24,400.0	2,777.2
DIRECTORS FEES	16.7	31.7	24.8
TOTAL	**116,146.0**	**64,467.7**	**47,884.3**

NOTE: [1] Surplus Fund inclusive of revenue receipts from withdrawal of equity from quasi- corporations (mop-up)

Source of Data: National Treasury

Expenditure Performance

10. Total expenditure and net lending in the FY 2020/21 amounted to Ksh 2,754.9 billion against a revised target of Ksh 2,886.9 billion, representing an under spending of Ksh 131.9 billion (4.6% deviation from the revised budget). The shortfall in spending was attributed to low A-i-A related spending on account of reduced collections and low absorption of both externally and domestically funded development projects (**Table 3**).

11. The National Government's recurrent expenditure was Ksh 1,796.6 billion (including Ksh 43.5 billion spending by Judiciary and Parliament) against a target of Ksh 1,819.6 billion, representing an under-spending of Ksh 23.0 billion. The recurrent spending was below target mainly due to lower than targeted absorption on operations and maintenance by Ksh 28.8 billion and poor collection of recurrent ministerial A-i-A by Ksh 25.1 billion. Domestic interest payments were above target by Ksh 35.7 billion while foreign interest payments were marginally below target by Ksh 1.4 billion. Over the same period, spending on pensions and other consolidated fund services was below target by Ksh 2.4 billion.

12. Development expenditure amounted to Ksh 559.3 billion against a revised target of Ksh 668.3 billion, translating to a shortfall of Ksh109.0 billion. This was on account of lower than programmed absorption of domestically financed programmes and execution of externally funded programmes by Ksh 25.5 billion and Ksh 83.5 billion respectively.

Table 3: Expenditure and Net Lending, FY 2020/21 (Ksh Million)

	FY 2019/2020	FY 2020/2021			
	Actual	Actual	Revised Estimates	Deviation	% Growth
1. Recurrent Expenditure	**1,645.2**	**1,796.6**	**1,819.6**	**(23.0)**	**9.2**
Domestic Interest	315.4	388.8	353.1	35.7	23.3
Foreign Interest due	121.8	106.3	107.7	(1.4)	-12.7
Pensions & Other CFS	89.6	112.9	115.3	(2.4)	26.0
Operations & Maintenance	561.5	561.9	590.7	(28.8)	0.1
Wages & Salaries	449.9	493.0	493.9	(0.9)	9.6
Ministerial Recurrent AIA	107.0	133.6	158.7	(25.1)	24.9
2. Development	**594.9**	**559.3**	**668.3**	**(109.0)**	**-6.0**
Domestically Financed (Gross)	396.6	392.3	417.8	(25.5)	-1.1
Foreign Financed	197.6	167.0	250.5	(83.5)	-15.5
Net Lending	0.7	-	-	0.0	-100.0
Equalization Fund	-	-	-	0.0	0.0
3. County Transfer	**325.3**	**399.0**	**399.0**	**0.0**	**22.7**
o/w Equitable Share	286.8	346.2	346.2	0.0	20.7
4. Contingency Fund	-	-	-	0.0	0.0
TOTAL EXPENDITURE	**2,565.4**	**2,754.9**	**2,886.9**	**(132.0)**	**7.4**

Wages and salaries; includes wages for teachers, civil servants and police

Source of Data: National Treasury

Ministerial Expenditure

13. The total cumulative ministerial and other public agencies expenditure including A-i-A was Ksh 1,801.6 billion (91.8 percent absorption) against a target of Ksh 1,963.5 billion. Recurrent expenditure was Ksh 1,203.2 billion (95.6 percent absorption) against a target of Ksh 1,258.4 billion, while development expenditure was Ksh 598.3 billion (84.9 percent absorption) against a target of Ksh 705.1 billion. The lower than targeted absorption of expenditures was partly due to the delayed reporting of expenditures related to Appropriation-in-Aid collected by State Owned Enterprises.

14. As at the end of FY 2020/21, recurrent expenditures by the State Department for Early Learning and Basic Education, State Department for University Education; Teachers Service Commission; State Department for Vocational and Technical Training and the Ministry of Health (Social Sector) accounted for 43.6 percent of total recurrent expenditure. In addition, the State Department for Interior and the Ministry of Defence accounted for 10.3 percent and 8.9 percent of total recurrent expenditure, respectively.

15. Analysis of development outlay indicates that the State Department for Infrastructure accounted for the largest share of the total development expenditure (21.7 percent), followed by the State Department for Transport (11.1 percent), Ministry of Water and Sanitation (10.5 percent), State Department for Energy (8.8 percent), and the Ministry of Health (6.7 percent). The expenditures by large Ministries/State Departments were below target because of under-reporting of expenditure from the sub-national, parastatals and some donor funded projects. **Table 4** shows the recurrent and development expenditures by Ministries, State Departments and other Government entities for the period under review**.**

Table 4: Ministerial Expenditures, Period Ending 30th June, 2021 (Ksh Millions)

Budget Head	MINISTRY/DEPARTMENT/COMMISSIONS	Jun-21 Recurrent			Jun-21 Development			Jun-21 Total			% of Total Exp. To Target
		Actual*	Target	Variance	Actual*	Target	Variance	Actual*	Target	Variance	
1011	Executive Office of the President	29,545	26,897	2,647	11,759	14,040	(2,281)	41,304	40,937	366	100.9
1021	State Department for Interior and Citizen Services	120,876	129,398	(8,522)	3,983	4,027	(44)	124,859	133,425	(8,566)	93.6
1023	State Department for Correctional Services	22,777	26,867	(4,090)	45	258	(212)	22,822	27,125	(4,302)	84.1
1032	State Department for Devolution	1,021	1,029	(9)	5,320	8,161	(2,840)	6,341	9,190	(2,849)	69.0
1035	State Department for Development of the ASAL	945	971	(26)	3,897	7,765	(3,868)	4,842	8,736	(3,894)	55.4
1041	Ministry of Defence	112,512	112,519	(7)	9,670	9,743	(73)	122,183	122,262	(79)	99.9
1052	Ministry of Foreign Affairs	10,329	16,203	(5,874)	411	1,129	(719)	10,739	17,332	(6,593)	62.0
1064	State Department for Vocational and Technical	18,278	18,392	(114)	5,334	6,294	(960)	23,613	24,686	(1,073)	95.7
1065	State Department for University Education	75,552	87,836	(12,284)	3,968	4,363	(394)	79,520	92,198	(12,678)	86.2
1066	State Department for Early Learning & Basic	88,324	88,224	99	5,905	8,930	(3,026)	94,228	97,155	(2,926)	97.0
1068	State Department for Post Training and Skills	124	126	(2)	-	-	-	124	126	(2)	98.4
1071	The National Treasury	52,268	55,746	(3,479)	47,812	58,780	(10,967)	100,080	114,526	(14,446)	87.4
1072	State Department for Planning	3,178	3,244	(65)	55,750	55,929	(179)	58,928	59,173	(245)	99.6
1081	Ministry of Health	66,452	68,034	(1,582)	40,051	52,865	(12,814)	106,503	120,899	(14,396)	88.1
1091	State Department for Infrastructure	73,989	67,159	6,831	129,750	133,372	(3,622)	203,739	200,531	3,208	101.6
1092	State Department for Transport	4,028	7,260	(3,232)	66,267	66,981	(714)	70,295	74,241	(3,946)	94.7
1093	State Department for Shipping and Maritime	2,101	1,647	454	-	565	(565)	2,101	2,212	(111)	95.0
1094	State Department for Housing & Urban Development	981	992	(11)	25,637	27,245	(1,608)	26,618	28,237	(1,618)	94.3
1095	State Department for Public Works	2,318	2,269	49	724	827	(103)	3,042	3,096	(54)	98.3
1108	Ministry of Environment and Forestry	9,900	10,222	(321)	2,637	3,753	(1,116)	12,537	13,974	(1,437)	89.7
1109	Ministry of Water & Sanitation and Irrigation	3,775	6,077	(2,302)	62,904	75,724	(12,820)	66,679	81,801	(15,122)	81.5
1112	Ministry of Lands and Physical Planning	2,639	2,829	(190)	3,246	3,299	(53)	5,885	6,128	(243)	96.0
1122	State Department for Information Communication Tech	1,595	1,641	(46)	16,328	19,449	(3,121)	17,923	21,090	(3,167)	85.0
1123	State Department for Broadcasting & Telecommunicati	6,870	7,759	(889)	283	282	1	7,153	8,042	(889)	89.0
1132	State Department for Sports	1,461	1,397	64	3,078	7,381	(4,303)	4,539	8,778	(4,239)	51.7
1134	State Department for Culture and Heritage	2,328	2,457	(129)	32	32	(0)	2,361	2,490	(129)	94.8
1152	Ministry of Energy	2,388	6,343	(3,954)	52,844	72,822	(19,978)	55,233	79,164	(23,932)	69.8
1162	State Department for Livestock.	2,114	2,310	(196)	1,563	2,167	(604)	3,678	4,477	(800)	82.1
1166	State Department for Fisheries, Aquaculture & the Blu	2,210	2,436	(226)	1,566	2,896	(1,330)	3,776	5,332	(1,556)	70.8
1169	State Department for Crop Development & Agricultura	21,072	23,354	(2,282)	13,731	26,687	(12,957)	34,803	50,042	(15,239)	69.5
1173	State Department for Cooperatives	905	922	(17)	761	762	(1)	1,665	1,684	(18)	98.9
1174	State Department for Trade and Enterprise Developme	2,025	2,165	(139)	1,261	1,286	(24)	3,287	3,450	(164)	95.3
1175	State Department for Industrialization	2,091	2,987	(896)	2,336	3,640	(1,303)	4,427	6,627	(2,199)	66.8
1184	State Department for Labour	1,486	2,635	(1,150)	808	1,232	(424)	2,293	3,867	(1,574)	59.3
1185	State Department for Social Protection, Pensions & Se	29,987	30,455	(468)	1,222	2,280	(1,058)	31,208	32,735	(1,526)	95.3
1192	State Department for Mining	415	548	(133)	76	81	(4)	492	629	(137)	78.2
1193	State Department for Petroleum	1,831	1,840	(9)	2,650	3,177	(527)	4,481	5,017	(536)	89.3
1202	State Department for Tourism	2,508	6,091	(3,583)	3,413	3,464	(51)	5,921	9,555	(3,635)	62.0
1203	State Department for Wildlife	9,085	9,105	(20)	453	650	(197)	9,538	9,755	(217)	97.8
1212	State Department for Gender	929	1,084	(155)	2,246	2,258	(12)	3,175	3,342	(167)	95.0
1213	State Department for Public Service	13,445	14,625	(1,180)	1,022	998	24	14,467	15,623	(1,156)	92.6
1214	State Department for Youth Affairs	1,300	1,305	(5)	1,896	2,098	(202)	3,196	3,403	(207)	93.9
1221	State Department for East African Community	483	511	(28)	-	-	-	483	511	(28)	94.5
1222	State Department for Regional and Northern Corridor I	2,050	2,357	(307)	1,083	1,258	(175)	3,133	3,615	(482)	86.7
1252	State Law Office and Department of Justice	4,476	4,811	(335)	71	80	(9)	4,547	4,891	(344)	93.0
1261	The Judiciary	13,787	14,575	(789)	1,601	2,558	(958)	15,387	17,133	(1,746)	89.8
1271	Ethics and Anti-Corruption Commission	3,225	3,272	(47)	13	41	(28)	3,238	3,313	(75)	97.7
1281	National Intelligence Service	45,160	45,551	(391)	-	-	-	45,160	45,551	(391)	99.1
1291	Office of the Director of Public Prosecutions	3,035	3,282	(247)	40	49	(9)	3,075	3,331	(256)	92.3
1311	Office of the Registrar of Political Parties	1,295	1,306	(11)	-	-	-	1,295	1,306	(11)	99.2
1321	Witness Protection Agency	372	462	(91)	-	-	-	372	462	(91)	80.4
2011	Kenya National Commission on Human Rights	365	374	(8)	-	-	-	365	374	(8)	97.8
2021	National Land Commission	1,110	1,112	(3)	-	-	-	1,110	1,112	(3)	99.8
2031	Independent Electoral and Boundaries Commission	4,926	5,309	(383)	71	75	(4)	4,997	5,384	(387)	92.8
2041	Parliamentary Service Commission	5,357	6,272	(914)	-	-	-	5,357	6,272	(914)	85.4
2042	National Assembly	19,134	21,615	(2,482)	-	-	-	19,134	21,615	(2,482)	88.5
2043	Parliamentary Joint Services	4,699	5,598	(899)	2,512	2,866	(354)	7,211	8,464	(1,253)	85.2
2051	Judicial Service Commission	503	531	(28)	-	-	-	503	531	(28)	94.7
2061	The Commission on Revenue Allocation	314	319	(5)	-	-	-	314	319	(5)	98.4
2071	Public Service Commission	2,136	2,177	(40)	19	19	(0)	2,156	2,196	(40)	98.2
2081	Salaries and Remuneration Commission	437	460	(23)	-	-	-	437	460	(23)	95.0
2091	Teachers Service Commission	274,794	274,950	(156)	97	240	(143)	274,891	275,190	(299)	99.9
2101	National Police Service Commission	624	645	(21)	-	-	-	624	645	(21)	96.8
2111	Auditor General	5,017	5,328	(311)	197	197	(0)	5,214	5,525	(311)	94.4
2121	Office of the Controller of Budget	541	566	(25)	-	-	-	541	566	(25)	95.5
2131	The Commission on Administrative Justice	459	474	(15)	-	-	-	459	474	(15)	96.8
2141	National Gender and Equality Commission	354	372	(18)	-	3	(3)	354	375	(20)	94.5
2151	Independent Policing Oversight Authority	619	803	(183)	-	-	-	619	803	(183)	77.2
	Total	**1,203,233**	**1,258,434**	**(55,201)**	**598,341**	**705,076**	**(106,735)**	**1,801,575**	**1,963,510**	**(161,935)**	**91.8**

Source of Data: National Treasury

Overall Balance and Financing

16. In line with the performance in expenditure and revenues, the fiscal deficit (including grants) amounted to Ksh 950.2 billion (8.5 percent of GDP) against a target of Ksh 976.2 billion (8.7 percent of GDP) (**Table 5**).

Table 5: Budget Outturn for the FY 2020/21 (Ksh Million)

	2019/2020	2020/2021		Deviation	% growth	2020/2021 as a % of GDP		2019/2020 Actual as a % of GDP
	Actual	Actual*	Targets			Actual	Targets	
A. TOTAL REVENUE AND GRANTS	**1,815,798**	**1,815,067**	**1,910,632**	**(95,565)**	**(0.0)**	**16.3**	**17.1**	**17.8**
1. Revenue	**1,795,978**	**1,783,747**	**1,837,835**	**(54,089)**	(0.7)	16.0	16.5	17.6
Ordinary Revenue	1,573,732	1,562,015	1,578,787	(16,772)	(0.7)	14.0	14.1	15.4
Import Duty	98,022	108,375	102,418	5,957	10.6	1.0	0.9	1.0
Excise Duty	195,270	216,325	217,984	(1,659)	10.8	1.9	2.0	1.9
Income tax	706,936	694,053	697,010	(2,958)	(1.8)	6.2	6.2	6.9
VAT	383,713	410,758	403,099	7,660	7.0	3.7	3.6	3.8
Investment Revenue	43,762	43,762	32,568	11,195	-	0.4	0.3	0.4
Others	146,028	88,742	125,708	(36,966)	(39.2)	0.8	1.1	1.4
Appropriation-in-Aid	222,246	221,732	259,048	(37,317)	(0.2)	2.0	2.3	2.2
2. Grants	**19,820**	**31,320**	**72,797**	**(41,476)**	**58.0**	**0.3**	**0.7**	**0.2**
AMISOM Receipts	4,639	8,943	8,736	207	-	0.0	0.1	0.0
Nairobi County to NMS		0	23,930					
Revenue	9,623	9,378	16,304	(6,925)	(2.5)	0.1	0.1	0.1
Appropriation-in-Aid	5,558	12,999	23,827	(10,828)	133.9	0.1	0.2	0.1
B.EXPENDITURE AND NET LENDING	**2,627,477**	**2,749,464**	**2,886,934**	**(137,470)**	**4.6**	**24.6**	**25.8**	**25.8**
1. Recurrent	**1,694,120**	**1,796,588**	**1,819,107**	**(22,520)**	**6.0**	**16.1**	**16.3**	**16.6**
Domestic Interest	315,362	388,830	353,139	35,690	23.3	3.5	3.2	3.1
Foreign Interest	121,840	106,312	107,737	(1,424)	(12.7)	1.0	1.0	1.2
Pension & Other CFS	89,605	112,872	115,310	(2,439)	26.0	1.0	1.0	0.9
Wages and Salaries	449,927	489,728	493,914	(4,185)	8.8	4.4	4.4	4.4
O & M/Others	717,386	698,846	749,007	(50,162)	(2.6)	6.3	6.7	7.0
2. Development and Net Lending	**608,079**	**553,883**	**668,242**	**(114,358)**	**(8.9)**	**5.0**	**6.0**	**6.0**
O/W Domestically financed	409,784	386,853	417,803	(30,949)	(5.6)	3.5	3.7	4.0
Foreign financed	197,634	167,030	250,439	(83,409)	(15.5)	1.5	2.2	1.9
3. Equalization Fund	0	-	0	-	-	0.0	-	0.0
4. County Governments	325,278	398,993	399,585	(592)	22.7	3.6	3.6	3.2
5. CF	-	-	-	-	-	**0.0**	-	**0.0**
C. DEFICIT EXCL.GRANT (Commitment basis)	**(831,499)**	**(965,717)**	**(1,049,099)**	**83,382**	**16.1**	**(8.6)**	**(9.4)**	**(8.2)**
D. DEFICIT INCL.GRANTS (Commitment basis)	**(811,679)**	**(934,397)**	**(976,302)**	**41,905**	**15.1**	**(8.4)**	**(8.7)**	**(8.0)**
E. ADJUSTMENT TO CASH BASIS	**11,801**	**5,098**	-	**5,098**	**(56.8)**	**0.0**	-	**0.1**
F. DEFICIT INCL.GRANTS (Cash basis)	**(799,878)**	**(929,299)**	**(976,302)**	**47,003**	**16.2**	**(8.3)**	**(8.7)**	**(7.8)**
Discrepancy	**(9,074)**	**20,936**	-					
G. FINANCING	**790,804**	**950,235**	**976,302**	**(26,067)**	**20.2**	**8.5**	**8.7**	**7.8**
1. Net Foreign financing	**340,431**	**323,310**	**417,553**	**(94,243)**	**(5.0)**	**2.9**	**3.7**	**3.3**
Disbursements	**442,031**	**451,587**	**769,570**	**(317,983)**	**2.2**	**4.0**	**6.9**	**4.3**
Programme Loans	239,026	168,644	185,307	(16,664)	(29.4)	1.5	1.7	2.3
Project Cash Loans	47,798	52,351	90,712	(38,361)	9.5	0.5	0.8	0.5
Project Loans AIA	104,525	104,787	131,136	(26,350)	0.3	0.9	1.2	1.0
Project Loans SGR _PHASE_1&2A_AIA	44,812	11,514	11,921	**(407)**	-	**0**	**0.1**	**0.4**
Commercial Financing	5,870	114,292	350,493	**(236,201)**	-	**1**	**3.1**	**0.1**
Debt repayment - Principal	(101,600)	(128,278)	(352,017)	223,739	**26.3**	**(1.1)**	**(3.2)**	**(1.0)**
2. Net Domestic Financing	**450,373**	**626,926**	**558,749**	**68,176**	**39.2**	**5.6**	**5.0**	**4.4**
Government Securities	399,060	556,289.2	510,054	46,235	39.4	5.0	4.6	3.9
Government Overdraft & Others	-	13,649.4	-	13,649	-	0.1	-	0.0
Movement in Government Deposits	49,824	51,838.5	48,020	3,819	-	0.5	0.4	0.5
Domestic Loan Repayments (Net Receipts)	2,599	6,258.8	1,785	4,474	140.8	0.1	0.0	0.0
Domestic Loan Repayment	(1,110)	(1,110.0)	(1,110)	(0)	-	0.0	(0.0)	(0.0)
MEMO ITEM								
GDP ESTIMATE	**10,196,618.48**	**11,168,511.00**	**11,168,511.00**	-	**9.53**	**100.00**	**100**	**100.00**

**Provisional*

Source of Data: National Treasury

17. The fiscal deficit was financed through net external financing amounting to Ksh 323.3 billion (2.9 percent of GDP) and net domestic financing of Ksh 626.9 billion. Total disbursements (inflows) including A-i-A amounted to Ksh 451.6 billion against a target of Ksh 769.6 billion. The disbursements included Ksh 116.3 billion project loans A-i-A, Ksh 52.4 billion for project loans revenue, Ksh 114.3 billion commercial financing and Ksh 168.6 billion programme loans. External repayments (outflows) of principal debt amounted to Ksh 128.3

billion including principal repayments due to bilateral and multilateral organizations and to commercial sources.

18. The net domestic financing amounted to Ksh 626.9 billion against a target of Ksh 558.7 billion. The net domestic financing included Ksh 1.1 billion repayment to the Central Bank and Ksh 556.3 billion from Government Securities.

B. Fiscal Performance for the FY 2020/21 in Relation to Financial Objectives

19. The fiscal performance in the FY 2020/21 is broadly in line with the financial objectives outlined in the PFM Act, 2012 and the 2021 BPS, and the Budget for FY 2021/22.

i. The performance of main tax heads was broadly within the Supplementary II targets despite the slight shortfall recorded in ordinary revenue. This revenue outcome builds confidence in the revenue projections for the FY 2021/22 and over the medium term. As such, the overall ordinary revenue projections will be retained at the levels outlined in the 2021 BPS. Any adjustments to the revenue targets will be only to reflect movements in the macroeconomic indicators should these change;

ii. With revenues retained at the same levels at the 2021 BPS, the overall resource envelope therefore, remains unchanged from the 2021 BPS position. Therefore, the overall baseline expenditure ceilings for spending agencies will be retained at the same levels as per the 2021 BPS. Any adjustments would only be within the sectors to reflect any change in priority across sectors or MDAs and any identified one-off expenditures; and

iii. The under-spending in both recurrent and development budget for the FY 2020/21 can be explained in part by low absorption of externally funded projects and low collection of local A-i-A. The Government will put in place appropriate measures to improve absorption of resources from development partners and the collection of local A-i-A is expected to normalize as the business environment improves.

20. As outlined in the 2021 BPS, the Government will seek to improve revenue collection from 16.0 percent of GDP in FY 2020/21 to above 18.0 percent in FY 2025/26. This will involve implementing new tax policy measures, reducing tax expenditures, strengthening revenue administration aimed at expanding the tax base and improving compliance.

21. In addition, the National Treasury will strictly implement the Public Investment Management regulations to ensure only quality and priority projects are funded and will also facilitate timely project implementation thereby improving efficiency in project spending. The regulations will guide prioritization of ongoing projects and evaluation of all new projects in the context of their alignment to the "Big Four" Agenda, medium and long term development agenda; their impact on poverty alleviation; promotion of growth and job creation.

C. Fiscal Responsibility Principles

22. In line with the Constitution, the PFM Act, 2012, the PFM regulations, and in keeping in line with prudent and transparent management of public resources, the Government has largely adhered to the fiscal responsibility principles as set out in the statute as follows:

i. The National Government's allocation to development expenditures has been above 30 percent of Ministerial Government expenditures. In the FY 2020/21, the allocation to development in the budget was 36.0 percent of the total expenditures meeting the set threshold (**Table 6**).

Table 6: Fiscal Performance in Relation to Financial Objectives

	FY 2019/20	FY 2020/21		FY 2021/22		FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26
	Prel. Actual	Supp II	Prel. Actual	BUDGET	BROP'21	BROP'21	BROP'21	BROP'21	BROP'21
	Ksh. Billions								
1.0 Total Expenditure & Net Lending	2,627	2,887	2,749	3,030	3,030	3,228	3,551	3,869	4,259
1.1 Total Ministerial National Govt Expenses	1,813	1,965	1,795	1,973	1,973	2,043	2,282	2,513	2,778
Total Recurrent	1,709	1,834	1,811	2,002	2,002	2,136	2,358	2,587	2,841
CFS (Interest & Pensions)	527	576	608	697	697	810	888	970	1,067
Ministerial Recurrent	1,182	1,258	1,203	1,304	1,304	1,326	1,470	1,617	1,773
o/w Wages & Salaries	450	497	496	547	547	577	631	677	738
Wages as % National Government Revenues/1	***29.8%***	***33.3%***	***34.5%***	***32.8%***	***32.8%***	***28.3%***	***25.8%***	***24.6%***	***24.0%***
Development	631	707	592	668	668	717	812	896	1,005
Development as % Ministerial NG expenditures	***34.8%***	***36.0%***	***33.0%***	***33.9%***	***33.9%***	***35.1%***	***35.6%***	***35.6%***	***36.2%***
Domestic	410	418	387	342	342	362	420	463	531
External	198	250	167	281	281	313	350	390	432
Contingencies	-	-	-	5	5	5	5	5	5
1.2 County Allocation	325	400	399	410	410	407	412	417	442
Equitable share	287	346	346	370	370	370	375	380	405
Conditional Grants	38	53	53	40	40	37	37	37	37
2.0 Total Revenues	1,796	1,838	1,784	2,039	2,039	2,405	2,818	3,131	3,480
3.0 Total National Government Revenues (Incl. A-I-A)	1,509	1,492	1,438	1,669	1,669	2,035	2,443	2,750	3,074
4.0 National Government Domestic Borrowing (net)	450	559	627	658	658	408	234	603	610

Source of Data: National Treasury

/1Wages: For teachers and civil servants including the police. The figure includes the funds allocated for the pension contributory scheme

ii. The National Government's share of wages and benefits to revenues was 34.5 percent in the FY 2020/21 which is within the statutory requirement of 35.0 percent of the National Government's equitable share of the revenue plus other revenues generated by the National Government;

iii. The fiscal responsibility principle spelt out in Section 15(2)(c) of the PFM Act, 2012 requires that over the medium term, the National Government's borrowing shall be used only for financing development expenditure. During the FY 2020/21, The National Government borrowed a total of Ksh 893.6 billion comprising of: project loans of Ksh 168.7 billion, programme loans of Ksh 168.6 billion and domestic securities of Ksh 556.3 billion. This borrowing was spent on project loans of Ksh 168.7 billion, external redemptions of Ksh 128.3 billion and domestically funded development expenditures of Ksh 594.5 billion (inclusive of 30 percent equitable share). As such, the Government spent Ksh 80.9 percent of borrowed resources on development and redemption of external loans and 19.1 percent on recurrent spending. The recurrent spending was occasioned by spending interventions to cushion the poor and vulnerable members of society as well as to contain the spread of COVID-19, including recruitment of additional health staff, additional support to health workers and acquisition of COVID-19 vaccines;

iv. The PFM Act requires that public debt and obligations remain at sustainable levels. The Government is committed to adhering to this at all times. Kenya`s debt is sustainable, however, with the negative impact of COVID-19 pandemic, exports and domestic resources have declined These in turn have deteriorated the debt service to exports ratio and the present value (PV) of debt to exports ratio (**Table 7**). However, as the pandemic is expected to ease with the global and domestic vaccinations efforts, these ratios are expected to improve significantly. In addition, the Government`s fiscal consolidation programme as outlined in the approved 2021 BPS will reduce debt vulnerabilities and ensure a stronger debt sustainability position going forward.

Table 7: Kenya's External debt sustainability (Calendar years)

Indicators	Thresholds for Kenya	2020	2021	2022	2023	2024	2025
PV of debt–to-GDP ratio	**40**	28.7	28.7	28.3	27.3	26.3	25.7
PV of debt-to-exports ratio	**180**	288.3	255.8	239.2	219.8	204.2	193.6
PPG Debt service-to-exports ratio	**15**	26.5	19.1	22.7	20.1	29.7	18.4
PPG Debt service-to-revenue ratio	**18**	15.5	13.0	15.8	14.0	21.0	13.1

Source: IMF Country Report No. 21/72, March 2021

v. On the principle of maintaining a reasonable degree of predictability with respect to the level of tax rates and tax bases, the Government is in the process of developing National tax policy to guide taxation process in Kenya. Further, the Government continues to carry out tax reforms through modernizing and simplifying tax laws in order to lock in predictability and enhance compliance within the tax system

23. The Government has maintained tax rates at stable levels. However, to cushion individuals and corporates from the adverse impact of the COVID-19 pandemic, the VAT and Income tax rates were temporarily adjusted in April 2020. These temporary reliefs included reduction in tax rates (Value Added Tax from 16 percent to 14 percent; reduction in tax rates for both corporate income tax and individual income tax top rate from 30 percent to 25 percent.

24. The tax rates for both corporate income tax and individual income tax top rate were reversed with effect from January 1, 2021 in an effort to support revenue mobilisation. The Government will continue to maintain stable tax rates and build confidence in the Kenyan taxation system, enhance compliance and improve predictability while improving tax administration. The Government will also use tax policy initiatives to address areas where the tax base has been eroded, to strengthen revenue mobilization.

25. The National Government fiscal projections **(Table 8)** provide projections in the 2021 BROP, which are consistent with the 2021 BPS estimates and shall inform the projections for the FY 2022/23 and the medium term. The Government will not deviate from the fiscal responsibility principles, but will make appropriate modifications to the financial objectives in the 2022 BPS to reflect changes in circumstances.

Table 8: Government Fiscal Projections, Ksh Billion

	FY 2019/20	FY 2020/21		FY 2021/22		FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26
	Prel Actual	SUPP II	Prel Actual	Approved Budget	BROP 21	BROP 21	BROP 21	BROP 21	BROP 21
	Ksh. Billions								
TOTAL REVENUE	**1,796**	**1,838**	**1,784**	**2,039**	**2,039**	**2,405**	**2,818**	**3,131**	**3,480**
Total Revenue as a % of GDP	***17.6%***	***16.5%***	***16.0%***	***16.5%***	***16.5%***	***17.5%***	***18.3%***	***18.3%***	***18.3%***
Ordinary revenue	1,574	1,579	1,562	1,776	1,776	2,142	2,516	2,807	3,144
Ordinary Revenue as a % of GDP	***15.4%***	***14.1%***	***14.0%***	***14.3%***	***14.3%***	***15.6%***	***16.4%***	***16.4%***	***16.5%***
Tax Revenue	1,384	1,421	1,430	1,667	1,667	2,008	2,363	2,640	2,968
Non-Tax Revenue	190	158	133	108	108	134	154	168	176
AIA	222	259	222	263	263	264	301	323	335
Expenditure	**2,627**	**2,887**	**2,749**	**3,030**	**3,030**	**3,228**	**3,551**	**3,869**	**4,259**
Expenditure as a % of GDP	***25.8%***	***25.8%***	***24.6%***	***24.5%***	***24.5%***	***23.5%***	***23.1%***	***22.6%***	***22.3%***
Recurrent (incl of conditional transfer to counties)	1,709	1,834	1,811	1,992	1,992	2,141	2,364	2,593	2,848
Development	632	707	592	663	663	712	807	891	1,000
Equalization Fund	-	-	-	7	7	7	8	8	8
County Transfer (Equitable share only)	287	346	346	370	370	370	375	380	405
Contingencies	-	-	-	5	5	5	5	5	5
Budget Balance (Deficit (-) excl Grants	**(831)**	**(1,049)**	**(966)**	**(992)**	**(992)**	**(823)**	**(734)**	**(739)**	**(779)**
Deficit as % of GDP	***-8.2%***	***-9.4%***	***-8.6%***	***-8.0%***	***-8.0%***	***-6.0%***	***-4.8%***	***-4.3%***	***-4.1%***
Grants	20	73	31	62	62	47	48	49	53
Adjustment to cash basis	12	-	5	-					
Balance Incl.Grants (cash basis)	(800)	(976)	(929)	(930)	(930)	(776)	(685)	(689)	(726)
Deficit as % of GDP	***-7.8%***	***-8.7%***	***-8.3%***	***-7.5%***	***-7.5%***	***-5.6%***	***-4.5%***	***-4.0%***	***-3.8%***
Net Foreign Financing	340	418	323	271	271	368	451	86	116
Domestic Loan Repayments (receipts)	3	2	6	1	1	4	3	3	3
Domestic Borrowing (net)	450	559	627	658	658	408	234	603	610
Domestic Borrowing % of GDP	***4.4%***	***5.0%***	***5.6%***	***5.3%***	***5.3%***	***3.0%***	***1.5%***	***3.5%***	***3.2%***
Public Debt (net Deposits)	6,191	5,215	7,150	4,285	4,285	3,509	2,824	2,134	1,409
Public Debt to GDP (net Deposits)	***60.7%***	***46.7%***	***64.0%***	***34.6%***	***34.6%***	***25.5%***	***18.4%***	***12.5%***	***7.4%***
Nominal GDP (Ksh. billion)	**10,200**	**11,169**	**11,169**	**12,393**	**12,393**	**13,760**	**15,373**	**17,128**	**19,064**

Source of Data: National Treasury

D. County Governments' Fiscal Performance

26. In the Financial Year 2020/21, County Governments were allocated a total of Ksh 369.9 billion as reflected in the County Allocation of Revenue Act (CARA), 2020. This comprised of: a) Ksh 316.5 billion as equitable share of revenues raised nationally; b) Ksh 13.7 billion being conditional allocations that are part of National Government's share of revenue; c) Ksh 9.4 billion from Roads Maintenance Fuel Levy Fund (RMLF) collected by the Kenya Roads Board (KRB), of which 15 percent is set aside for County roads; and d) Ksh 30.2 billion from proceeds of loans and grants from development partners. In addition, Ksh 6.8 billion was allocated to the Equalisation Fund in FY 2020/21 in line with Article 204 of the Constitution.

27. Actual disbursements to the County Governments during the FY 2020/21 totalled Ksh 399.0[1] billion comprising of; a) Ksh 316.5 billion as equitable share of revenue raised nationally, relating to the allocation for FY 2020/21; b) Ksh. 29.7 billion as equitable share of revenue raised nationally, accruing from the allocations for FY 2019/20; c) Conditional allocations amounting to Ksh 12.7 billion derived from the National Government's share of

[1] This Includes Kshs 4.6 billion KDSP level II which was disbursed to State Department for Devolution for onward transmission to the participating county governments.

revenue; d) Ksh 9.4 billion from the Roads Maintenance Levy Fund (RMLF); and; e) Proceeds from external loans and grants totalling Ksh 26.1 billion earmarked to supplement financing of devolved functions as shown in **Table 9.** In addition**,** the National Government transferred Kshs 4.3 billion to County Governments through NHIF for free Maternal Health Care. This is in line with the National Government policy on Free Maternal Health Care.

28. In aggregate terms, 100 percent of equitable share, 92 percent of conditional allocations derived from the National Government's equitable revenue share, 86 percent of proceeds from external loans and grants and 100 percent of the Roads Maintenance Levy Fund were transferred to County Governments in FY 2020/21 (which represents 98.6 percent of the total allocations as contained in CARA, 2020).

29. A number of County Governments did not receive 100 percent of their conditional transfers. This has been attributed to their inability to adhere to requirements of specific conditions attached to both GoK and development partners' grants, failure by MDAs to appropriately budget for the funds, and delay by MDAs to request for the funds. Some of the conditional allocations affected by this non-compliance include Ksh 935 Million for the Water & Sanitation Development Project; Ksh 405 Million for the Transforming Health Systems for Universal Care Project; Ksh 362 Million for the National Agriculture & Rural Inclusive Growth Project (NARIGP); Ksh 1.18 billion for the Kenya Climate Smart Agriculture Project (KCSAP); Ksh 51 million for the Kenya Urban Support Programme; and Ksh 125 million for construction of County headquarters.

Table 9: Total Transfers to County Governments from FY 2013/14 to FY 2020/21 (Ksh Million)

Transfer Type	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	Grand Total	%
1. Equitable share transfer	**190,000**	**226,660**	**259,774**	**280,300**	**302,000**	**314,000**	**286,784**	**346,216**	**2,205,735**	**90.52%**
2. Conditional Transfers towards Covid-19	-	-	-	-	-	-	**7,706**	-	**7,706**	**0.32%**
a) Gok-Funded Conditional allocation	-	-	-	-	-	-	*7,356*	-	*7,356*	
b) DANIDA	-	-	-	-	-	-	*350*	-	*350*	
3. GoK-funded conditional allocations	**5,665**	**3,261**	**10,901**	**13,705**	**12,008**	**15,017**	**13,343**	**12,673**	**86,574**	**3.55%**
a) Level Five Hospital	*3,419*	*1,863*	*3,600*	*4,000*	*4,200*	*4,326*	*4,326*	*4,326*	*30,061*	
b) Free Maternal Healthcare	*2,246*	*1,398*	*3,321*	*4,105*	-	-	-	-	*11,070*	
c) Managed Equipment Services	-	-	*3,080*	*4,500*	*4,908*	*8,830*	*6,017*	*5,273*	*32,608*	
d) Foregone User Fees Compensation	-	-	*900*	*900*	*900*	*900*	*900*	*900*	*5,400*	
e) Rehabilitation of Youth Polytechnics	-	-	-	-	*2,000*	*961*	*2,000*	*2,000*	*6,961*	
f) Emergency Medical Service Grant	-	-	-	*200*	-	-	-	-	*200*	
g) Construction of County HQs	-	-	-	-		-	*100*	*175*	*275*	
4. Other Additional conditional allocations	-	**1,137**	**5,547**	**6,063**	**17,797**	**31,070**	**30,020**	**40,103**	**131,737**	**5.41%**
a) Road Maintenance Levy Fund			*3,300*	*4,307*	*10,262*	*7,424*	*7,645*	*9,433*	***42,372***	1.74%
b) External Loans and Grants	-	*1,137*	*2,247*	*1,756*	*7,535*	*23,646*	*22,375*	*30,670*	*89,365*	3.67%
-World Bank (KDSP Level I)	-	-	-	-	*2,148*	-	*1,410*	*2,115*	*5,673*	
*-World Bank (KDSP Level II)**	-	-	-	-	*1,950*	*4,000*	-	*4,600*	*10,550*	
-World Bank (NUTRIP)	-	-	*1,045*	*791*		-	-	-	*1,836*	
-Danida (HSPS III)	-	*734*	*664*	*408*	-		-	-	*1,806*	
-World Bank (KHSSP-HSSF)	-	*404*	*508*	*556*	*8*	-	-	-	*1,476*	
-World Bank (THUSCP)	-	-	-	-	*1,250*	*1,958*	*2,656*	*3,940*	*9,804*	
-Danida (UHDSP)	-	-	-	-	*1,116*	*1,040*	*922*	*855*	*3,934*	
-World Bank (NARIGP)	-	-	-	-	*1,063*	*1,052*	*4,563*	*3,900*	*10,578*	
-Italy (KIDDP; Rehab. of Sub-Dist. Hosp.)	-	-	*30*	-		-	-	-	*30*	
World Bank,KUSP-UIG	-	-	-	-	-	*1,854*	*387*	-	*2,241*	
World Bank ,KUSP-UDG	-	-	-	-	-	*11,465*	*8,128*	*6,315*	*25,908*	
World Bank-KCSAP	-	-	-	-	-	*1,000*	*2,982*	*5,945*	*9,927*	
EU - IDEAS	-	-	-	-	-	*941*	-	-	*941*	
IDA (World Bank)-WSDP	-	-	-	-	-	-	*563*	*2,465*	*3,027*	
SIDA -ASDSP II	-	-	-	-	-	*335*	*764*	*536*	*1,634*	
EU-WaTER	-	-	-	-	-	-		-	-	
5. Allowances for County medical personnel				4,842		-	-	-	**4,842**	**0.20%**
6. Coffee Cess				107		-	-	-	**107**	**0.00%**
Grand Total *(= 1+2+3+4+5+6)*	**195,665**	**231,059**	**276,223**	**305,016**	**331,805**	**360,086**	**337,853**	**398,993**	**2,436,700**	**100.00%**

***** ***World Bank (KDSP Level II) for 2020/2021 of Kshs 4.6 billion- disbursed to State Department for Devolution for onward transmission to the participating county governments***

Source of Data: The National Treasury

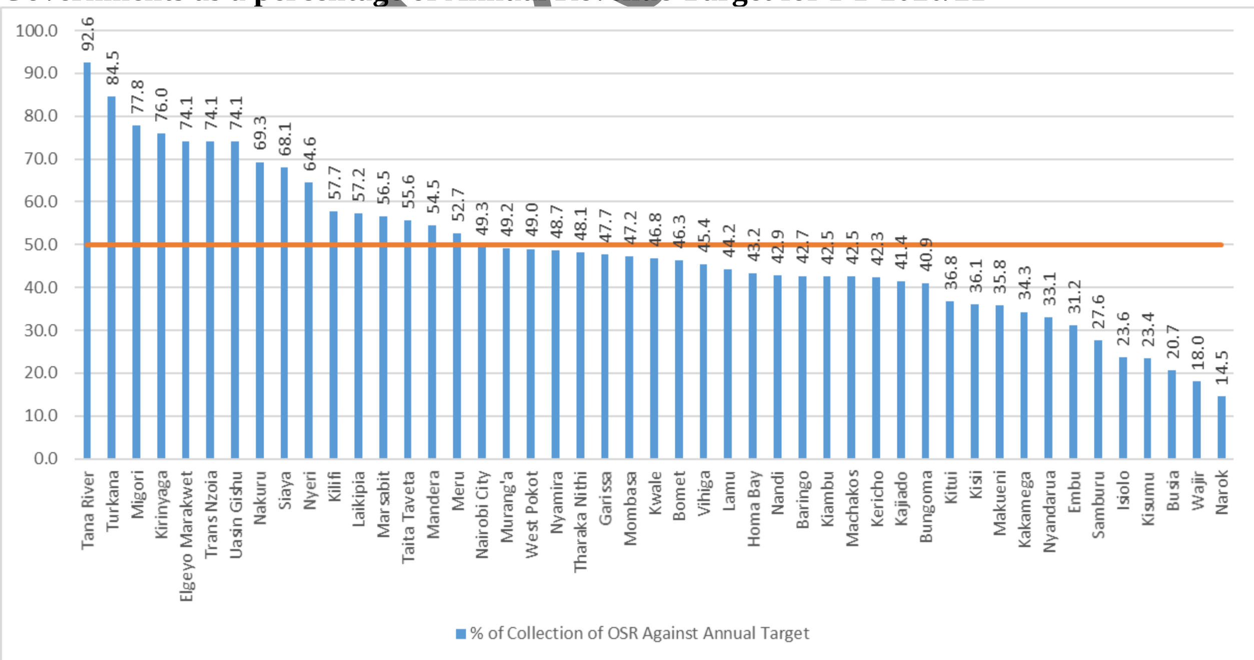
30. In total for the period FY 2013/14 to FY 2020/21, County Governments have received Ksh 2,436.7 billion cumulatively, 90.5 percent of which is equitable share, 3.5 percent being conditional grants that are part of shareable revenue, and a further 5.4 percent being the additional conditional allocations that are not part of shareable revenue. The remaining 0.2 percent represents a one-off payment made in FY 2016/17 in respect to allowances to medical personnel, coffee cess and the emergency medical grants.

31. During the year under review, the COVID-19 pandemic affected the global economy. Although this was a health problem, it had substantial effects on both government revenues and expenditures. The National Government in conjunction with County Governments implemented various measures to contain and manage the COVID-19 pandemic. On their part, County Governments enhanced their healthcare system by upgrading healthcare facilities, acquisition of extra health care personnel and setting up of isolation centres. Accordingly, the National Government on its part enhanced budgetary allocations to the health sector in FY 2020/21 budget in order to strengthen the health care systems with the requisite equipment, supplies and medical personnel. In addition, Ksh. 4.6 billion was transferred to county governments under the KDSP Level II program to complement the National Government support to county governments for putting in place COVID-19 pandemic response measures.

Performance of County Governments Own Source Revenue

32. During the period July 2020 to March 2021, the County Governments collected a total of Ksh 25.5 billion in Own Source Revenue (OSR) against an annual target of Ksh. 56.0 billion **(Figure 1)**. This represents 45.6 percent of the annual OSR target in FY 2020/21, which is a decrease from 48 percent of the annual OSR target for a similar period in the FY 2019/20. Only sixteen (16) County Governments in FY 2020/21 were able to collect more than fifty percent of their annual OSR target for the first three quarters of the financial year.

Figure 1: Actual Revenue Collected (First Nine Months of FY 2020/21) by the County Governments as a percentage of Annual Revenue Target for FY 2020/21



Source of Data: Controller of Budget

33. Despite the COVID-19 pandemic, OSR collections did not deviate much from the collections in FY 2019/20. Available data reveals that a number of County Governments have unrealistic OSR projections, indicating that there is need for more capacity building on areas of

tax analysis and revenue forecasting. In this regard, *The National Policy to Support Enhancement of County Governments' Own-Source Revenue* and the *County Governments (Revenue Raising Process) Bill 2018* which is currently before Parliament for legislation into law will play a crucial role. The objective of the bill is to regulate the manner in which Counties introduce/vary fees and charges. The rationale for the proposed legislation is to address multiplicity of fees and charges and avoid infringement of Article 209(5) of the Constitution which provides that county government revenue raising powers should not prejudice national economic policies, economic activities across county boundaries or the national mobility of goods, services, capital or labor.

County Governments Budget Absorption Rate

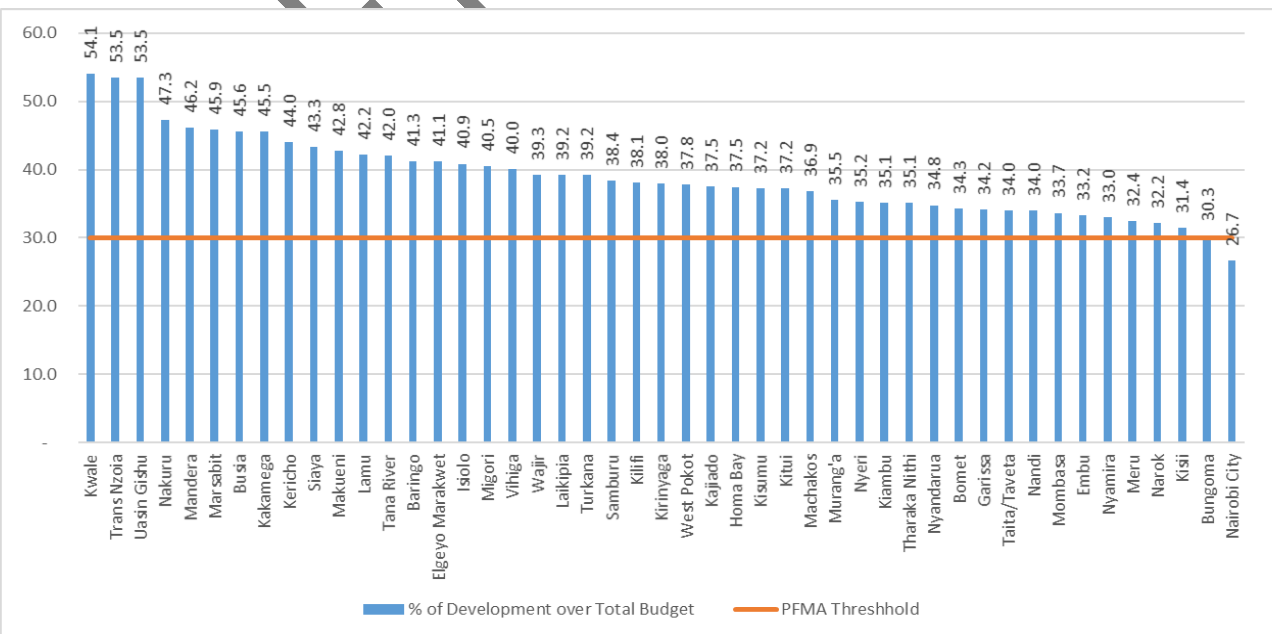
34. The overall absorption rate (actual expenditure over budget) for the County Governments combined for the first nine months of FY 2020/21 was 44.2 percent which is lower than the absorption rate in FY 2019/20 by 4 percent (**Annex Table 7**). The absorption rate for development expenditure for the period July 2020 to March 2021 remained low at 25 percent compared to that of the recurrent expenditure which was reported at 56 percent for the same period for the FY 2019/20. This can be attributed to among other things poor performance of revenue and COVID-19 containment measures related to restrictions on gatherings, domestic and international travel.

E. County Governments' Compliance with Fiscal Responsibility Principles

Allocation on Development Expenditure

35. In managing the County Government's finances, the Public Finance Management Act, 2012 Section 107(b) requires that over the medium term, a minimum of 30 percent of each County Government's budget shall be allocated to development expenditure. All the county governments except Nairobi City County government complied with this legal requirement in the FY 2020/21 (**Figure 2**).

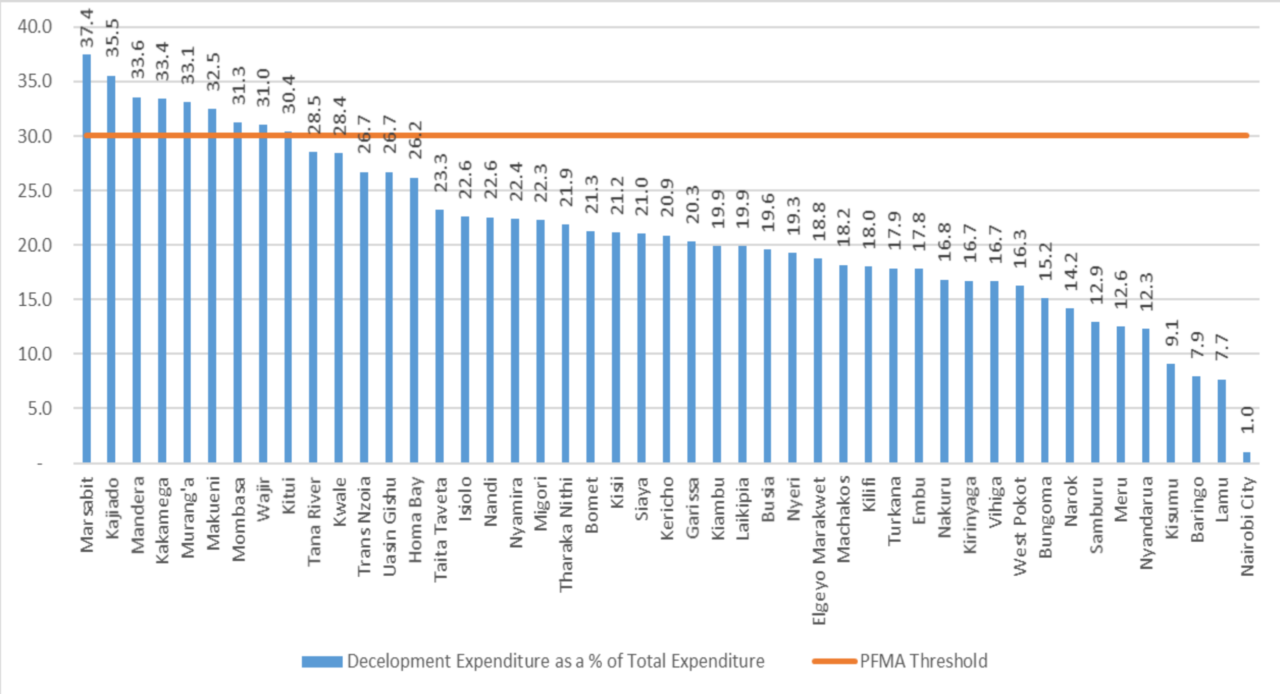
Figure 2: Budgeted Development Expenditures as a Percentage of Total Budget for the FY 2020/21



Source of Data: Controller of Budget

36. However, actual expenditure for the first nine months of FY 2020/21 on development spending was less than 30 percent during this period for all other County Governments except for Kajiado, Kakamega, Kitui, Mandera, Makueni, Marsabit, Mombasa, Murang'a and Wajir counties (**Figure 3**). Compared to the FY 2019/20, this is an increase from the five county governments who had exceeded the 30 percent on the actual development spending for the first nine months of FY 2019/20.

Figure 3: Actual Development Expenditures as a Percentage of Total Budget for the first nine months of FY 2020/21



Source of Data: Controller of Budget

Expenditure on Compensation of Employees

37. Regulation 25(1) (b) of the PFM (County Governments) Regulations, 2015, requires that the county government's expenditure on wages and benefits for its public officers should not exceed thirty-five (35) percent of the county government's total revenue. According to the Report by the Controller of Budget on County Government's budget implementation for the first nine months of FY 2020/21, over 50 percent of the County Governments' total expenditures are going towards personnel emoluments. Ten Counties namely Nandi, Nyamira, Kisii, Kiambu, Elgeyo Marakwet, Machakos, Embu, Vihiga, Baringo and Lamu had over 60 percent of their total expenditures going towards personnel emoluments. In this regard, the wage bill remains a major challenge hence the need for concerted effort to find viable solutions to keep the wage bill within the legal threshold.

Challenges encountered by County Governments

Pending Bills of County Governments

38. Following the special audit conducted by the Office of the Auditor General (OAG) in 2018, the National Treasury in collaboration with OCOB has continuously urged the County Governments to clear these audited pending bills. As per OAG report, the total pending bills amounted to Ksh 89.0 billion out of which Ksh 51.28 billion were classified as eligible and Ksh 37.7 billion as ineligible. However, 13 County Governments disputed a total of Ksh 1.31 billion of the eligible pending bills. The National Treasury has requested OAG to conduct a special

audit as at 30th June 2020 as well as for the disputed pending bills. As at 25th June 2021, County Governments had paid a total of Ksh 39.8 billion (77.66 percent) of the eligible bills. In regards to ineligible bills, County Governments formed Pending Bills Verification Committees which verified and paid Ksh 6.1 billion. The total outstanding bills, both eligible and ineligible as at 30th June 2021 stood at Kshs 43.04 billion (**Table 10**).

Table 10: Pending Bills of the County Governments' as at 25th June 2021

County	Total Pending Bills	Eligible Pending Bills as per the OAG Special Audit (Kshs)	Disputed Pending Bills by County Governments	Eligible Pending Bills Paid	Outanding Eligible Pending Bills (Kshs.)	Ineligible Pending Bills as per the OAG Speacial Report (Kshs)	Ineligible Pending Bills Paid
	A	B	C	D	E=B-D	F	G
Baringo	45,765,998	24,046,826		24,046,826	0	21,719,172	0
Bomet	1,253,551,181	1,190,167,877	144,488,259	999,878,620	190,289,257	63,383,304	12,154,239
Bungoma	601,481,507	376,038,793	13,264,596	362,774,197	13,264,596	225,442,714	128,225,677
Busia	1,013,493,163	972,895,883	1,251,275	971,644,606	1,251,277	40,597,280	0
Elgeyo/Marakwet	908,679,275	225,216,395		225,216,395	0	683,462,880	428,978,838
Embu	1,362,958,792	435,114,432		435,114,432	0	927,844,360	50,250,949
Garissa	2,553,348,202	2,307,530,407	117,241,271	2,285,141,562	22,388,845	245,817,795	0
Homa Bay	1,663,245,610	40,447,020		40,447,020	0	1,622,798,590	241,871,783
Isiolo	1,334,674,795	1,258,372,703		691,253,320	567,119,383	76,302,092	0
Kajiado	366,353,650	88,191,609		88,191,609	0	278,162,041	0
Kakamega	593,950,376	583,093,452		583,093,452	0	10,856,924	8,082,840
Kericho	1,094,470,975	490,184,743		490,184,743	0	604,286,232	141,827,944
Kiambu	2,312,759,531	1,831,618,030		1,645,601,947	186,016,083	481,141,501	93,819,557
Kilifi	1,377,012,031	1,116,043,558		1,116,043,558	0	260,968,473	16,360,234
Kirinyaga	1,328,459,563	741,080,963	397,304,121	319,440,751	421,640,212	587,378,600	42,359,883
Kisii	1,414,104,629	1,200,573,919	15,763,476	1,184,810,134	15,763,785	213,530,710	0
Kisumu	2,475,722,125	1,792,200,077		1,788,450,077	3,750,000	683,522,048	79,999,527
Kitui	1,443,011,641	572,033,419		572,033,419	0	870,978,222	304,308,790
Kwale	2,501,631,906	809,734,393		809,734,393	0	1,691,897,513	0
Laikipia	989,444,917	77,539,708		77,539,708	0	911,905,209	0
Lamu	143,663,524	85,050,899		85,050,899	0	58,612,625	31,528,323
Machakos	1,286,526,181	942,363,607		722,952,537	219,411,070	344,162,574	0
Makueni	34,902,732	33,018,202		33,018,202	0	1,884,530	0
Mandera	552,137,062	349,433,313		338,950,000	10,483,313	202,703,749	0
Marsabit	776,411,111	728,259,831		728,259,831	0	48,151,280	0
Meru	2,265,112,691	1,845,545,178		1,793,635,716	51,909,462	419,567,513	148,518,534
Migori	1,275,250,208	1,007,373,410	168,968,104	750,178,806	257,194,604	267,876,798	202,231,030
Mombasa	5,347,786,393	3,545,800,427		1,929,462,255	1,616,338,172	1,801,985,966	0
Murang'a	2,038,047,918	1,531,778,008		1,531,778,008	0	506,269,910	388,780,019
Nairobi City	23,139,794,063	11,783,829,072		5,121,738,876	6,662,090,196	11,355,964,991	146,440,676
Nakuru	2,504,561,905	420,164,604	25,487,581	393,978,523	26,186,081	2,084,397,301	0
Nandi	1,447,847,605	942,307,841		942,307,841	0	505,539,764	0
Narok	2,056,439,795	1,980,736,070	212,049,716	1,754,791,016	225,945,054	75,703,725	27,609,076
Nyamira	435,328,993	275,698,127		275,698,127	0	159,630,866	36,301,873
Nyandarua	1,138,159,128	297,078,779		297,078,779	0	841,080,349	317,016,227
Nyeri	360,535,590	152,196,769		152,196,769	0	208,338,821	146,652,290
Samburu	846,492,795	762,579,174	48,201,481	714,377,693	48,201,481	83,913,621	0
Siaya	709,770,238	637,310,697	105,092,567	527,943,130	109,367,567	72,459,541	0
Taita/Taveta	451,282,264	390,269,112		390,269,112	0	61,013,152	0
Tana River	1,202,679,386	507,082,631		507,082,631	0	695,596,755	0
Tharaka -Nithi	1,112,652,892	701,871,919		682,223,937	19,647,982	410,780,973	0
Trans Nzoia	1,079,983,912	666,047,614	6,890,490	659,157,124	6,890,490	413,936,298	0
Turkana	5,660,295,757	1,816,400,453	53,631,790	1,570,376,862	246,023,591	3,843,895,304	2,699,226,332
Uasin Gishu	366,384,594	76,566,231		60,435,232	16,130,999	289,818,363	207,973,124
Vihiga	2,037,052,291	1,151,148,522		729,179,706	421,968,816	885,903,769	156,175,561
Wajir	2,357,171,365	2,039,742,167		2,039,742,167	0	317,429,198	65,740,429
West Pokot	1,725,540,240	483,053,261		384,982,834	98,070,427	1,242,486,979	0
Total	**88,985,930,500**	**51,284,830,125**	**1,309,634,727**	**39,827,487,381**	**11,457,342,744**	**37,701,100,375**	**6,122,433,754**

Source of Data: Office of the Auditor General and Controller of Budget

Delay in the submission of Financial and Non-financial reports by County Governments

39. The County Governments' Budget Implementation Review Report for the first nine months of FY 2020/21 published by the Controller of Budget, indicates that a number of county governments did not submit their financial and non-financial reports on time as required under Section 166(4) and Section 168 (3) of the PFM Act, 2012. This non-compliance also explains the delays in disbursement of conditional grants to County Governments. The county governments are called upon to adhere to the provisions of the relevant laws and submit both the financial and non-financial reports to the relevant institutions within the set timelines.

Disruption of Economic Activities due to COVID-19 pandemic

40. The COVID-19 pandemic has led to loss of lives and serious ramifications on the health sector and at the same time having serious negative effects on the economy. Many businesses closed down and others downsized leading to job and revenue losses. The revenue loss has affected both the National and County Government thus missing their targets on collected revenue. There were also increased expenditure pressures to curb COVID-19 pandemic. These expenditures were mainly in the health and education sectors where there was need for the purchase of PPEs, provision of isolation centers and treatment facilities for COVID-19 related infections.

Weak Budgetary Controls

41. Article 207 (1) of the Constitution provides that all revenues by county governments be deposited into the County Revenue Fund before utilization. However, according to the *County Governments' Budget Implementation Review Report* for the first nine months of FY 2020/21, 19 counties, namely; Bungoma, Busia, Embu, Isiolo, Bomet, Kajiado, Kiambu, Nyamira, Siaya, Elgeyo Marakwet, Kisii, Kitui, Mombasa, Nakuru, Nandi, Nyeri, Samburu, Turkana, and West Pokot incurred expenditure in excess of approved budgetary allocations as a result of weak budgetary controls. This implies that these County Governments are using own source revenue at source.

Inadequate legal framework for intergovernmental transfers

42. Articles 187 and 189 of the Constitution provides for the transfer of functions and powers between levels of Government as well as cooperation between the National and County Governments. The PFM Act, 2012 and its Regulations as well as the Intergovernmental Relations Act, 2012 contain provisions to aid in case of operationalization of Articles 187 and 189 but are not sufficient. Particularly the Acts do not provide for a clear mechanism for flow of funds and oversight in case of transfer of functions and cooperation between Governments. The High Court through a ruling Petition No. 252 of 2016, directed that conditional and unconditional grants to County Governments are not to be provided for under the Division of Revenue Act. In this regard, the Senate in consultation with other relevant institutions is in the process of developing a legal framework to provide for disbursement of conditional grants to County Governments.

Underperformance in County Government OSR

43. Notwithstanding Covid 19, the county governments have consistently underperformed in the collection of OSR as indicated in **Figure 4**. In the first nine months of FY 2020/21, county governments generated less than half (45.6%) of their annual own source revenue target. The

underperformance in county OSR means that counties may not be able to fully finance their budgets, leading to undesirable effects on service delivery to the citizens.

Figure 4: Actual Annual County Government OSR Collections vs the Annual Target

Measures to Address Some of the Challenges faced by County Governments

44. The *National Policy to support the Enhancement of County Government OSR* is currently being implemented with the main objective of supporting county governments to raise more own source revenue. The Policy identifies property rates as one of the revenue sources for the county governments with a great potential in enhancing revenue collection. To this end, the National Treasury in collaboration with the Ministry of Lands and Physical Planning is in the process of developing legislation to replace the outdated Valuation for Rating Act and the Rating Act.

45. The National Treasury and Planning is mandated by law to build the capacity of county governments on PFM issues. In this regard, the National Treasury and Planning is in the process of analysing the fiscal documents of all the county governments in a bid to identify gaps in planning, budgeting and reporting. This will inform capacity building programme for the county governments in line with the PFM Act, 2012. The National Treasury will also undertake a training needs assessment of the County Governments on PFM to inform future capacity building strategies on other PFM matters.

46. In addition, counties will be supported to; develop principal laws to anchor their revenue raising measures; develop standardized guidelines on organizational structure for OSR; and develop Tariffs and Pricing Policy among others. The National Treasury will also assist the relevant MDAs to review national legislations affecting County Governments OSR. This support to the county governments is in line with the *National Policy to Support County Governments' Own Source Revenue.*

47. The National Government in consultation with county governments instituted measures for economic recovery. At the national level the government prepared the Economic Recovery Strategy for 2020/21-2022/23. The strategy articulates programmes and activities for the health sector to be implemented at the national and county level. The strategy proposed policy, legal and administrative measures to be put in place by national and county governments and the requisite resources for economic recovery. Subsequently, the county governments also prepared the County COVID-19 Social Economic Re-Engineering Recovery Strategy for 2020/21-2022/23 to guide their economic recovery interventions. The County Strategy embeds principles of response, recovery and thriving. In addition to these strategies, the roll-out of the COVID-19 vaccination programme is expected to ease the pressure on the health sector as well as act as a catalyst for economic recovery.

Transfer of Functions and Cooperation between National and County Governments

48. The National Treasury in consultations with PFM stakeholders prepared a framework to facilitate transfer of functions and funds between Nairobi City County Government and the National Government, in the short-term. The National Treasury further constituted a multiagency taskforce to prepare a legislative framework for management of Intergovernmental Transfers in respect to transferred functions and cooperation between national and county governments; and to operationalize Article 187 and 189 of the Constitution, respectively.

Equalization Fund

51. Although a total of Ksh. 6.8 billion was allocated towards implementation of projects financed from the Equalization Fund in marginalised counties in FY 2020/21, the National Treasury did not transfer these allocations to the implementing MDAs. This was occasioned by lack of legal instrument for administration of the Equalization Fund following quashing of the Equalization Fund Guidelines by the High Court in 2019. The National Treasury together with other stakeholders developed, gazetted and submitted to Parliament the Public Finance Management (Equalization Fund) Regulations, 2020. The Regulations have been passed by the National Assembly and are currently before the Senate for concurrence. Once approved the Regulations will facilitate full implementation of projects financed from the Equalization Fund.

III. RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

A. Recent Economic Developments

Global Economic Performance

49. This BROP has been prepared against a background of a projected global economic recovery amidst uncertainty relating to new COVID-19 mutations particularly the Delta variant that could require broader reinstatement of containment measures. Global growth in 2021 is projected at 6.0 percent from a contraction of 3.2 percent in 2020 (WEO July 2021). However, economic prospects vary across countries with the emerging markets and developing economies expected to pick up slowly compared to advanced economies given different country policy responses to the pandemic. The projected recovery in advanced economies, particularly the United States, reflects the anticipated legislation of additional fiscal support in the second half of 2021 and broader vaccinations coverage across the group.

50. Economic growth in the sub-Saharan Africa region is projected at 3.4 percent in 2021 from a contraction of 1.8 percent in 2020 due to improved exports and commodity prices, and the rollout of vaccination programmes. This growth will also be supported by a recovery in both private consumption and investment as economies re-open. However, the recent increase in infection rates in sub-Saharan Africa are expected to weigh down the region's recovery in 2022.

Domestic Economic Performance

GDP Growth

51. In 2020, the Kenyan economy was adversely affected by the outbreak of COVID-19 pandemic and the swift containment measures, which disrupted economic activities. Additionally, Kenya faced two other shocks: The invasion of swarms of desert locusts that damaged crops and floods following receipt of above normal rainfall in May 2020. As a result, economic growth slowed down in FY 2020/21.

52. In the first three quarters of 2020 the economy contracted by an average of 0.4 percent compared to an average growth of 5.3 percent over the same period in 2019 **(Table 11).** The decline was largely characterized by contractions in the services sector especially Accommodation and Restaurant (45.1 percent), Education (31.2 percent), Wholesale and Retail trade (1.3 percent) and Transport and Storage (0.9 percent) subsectors. However, the performance in the third quarter of 2020, albeit constrained, was relatively better compared to the second quarter of 2020 due to partial easing of COVID-19 containment measures.

53. The overall performance of the economy during the first three quarters of 2020 was cushioned from a deeper slump by improved growth in Mining and Quarrying activities (12.6 percent); Construction (8.6 percent); Health Services (7.3 percent) and Agriculture, Forestry and Fishing activities (6.4 percent). Other sectors of the economy that supported growth in the first three quarters of 2020 are Information and Communication (7.5 percent); Financial and Insurance activities (5.3 percent); Real Estate Activities (4.0 percent) and Electricity and Water supply (3.3 percent).

Table 11: Sectoral GDP Performance

Sectors	Sector Growth (%)											
	2018				2019				2020			
	Q1	Q2	Q3	**Q1-Q3**	Q1	Q2	Q3	**Q1-Q3**	Q1	Q2	Q3	**Q1-Q3**
Primary Industry	6.7	5.9	6.5	**6.4**	3.9	2.2	4.9	**3.6**	5.9	7.4	6.9	**6.7**
Agriculture, Forestry and Fishing	6.9	6.0	6.7	**6.5**	4.0	2.0	5.0	**3.6**	5.8	7.3	6.3	**6.4**
Mining and Quarrying	3.1	3.5	3.2	**3.2**	1.4	5.0	3.4	**3.2**	9.5	10.0	18.2	**12.6**
Secondary Sector (Industry)	5.1	5.4	6.1	**5.5**	4.2	5.5	5.1	**5.0**	4.1	(1.0)	4.2	**2.4**
Manufacturing	4.1	4.6	4.8	**4.5**	2.3	4.1	3.9	**3.5**	2.9	(3.9)	(3.2)	**(1.4)**
Electricity and Water supply	6.1	8.3	8.1	**7.5**	7.8	7.3	6.4	**7.2**	6.3	(0.6)	4.7	**3.3**
Construction	6.7	5.6	7.3	**6.5**	6.1	7.2	6.6	**6.6**	5.3	3.9	16.2	**8.6**
Tertiary sector (Services)	6.2	6.0	6.6	**6.2**	6.3	6.8	6.7	**6.6**	5.5	(11.0)	(4.7)	**(3.5)**
Wholesale and Retail trade	5.6	6.5	7.3	**6.5**	6.3	7.8	6.1	**6.7**	6.4	(7.0)	(2.5)	**(1.3)**
Accomodation and Restaurant	13.3	15.1	15.5	**14.5**	11.0	12.1	9.9	**10.9**	(9.3)	(83.2)	(57.9)	**(45.1)**
Transport and Storage	6.5	6.6	8.5	**7.2**	6.4	7.6	7.6	**7.2**	6.1	(11.4)	2.9	**(0.9)**
Information and Communication	13.2	11.7	9.8	**11.7**	10.0	7.5	8.0	**8.6**	9.8	4.6	7.3	**7.5**
Financial and Insurance	4.0	3.5	5.1	**4.2**	6.3	5.2	8.1	**6.5**	6.2	4.2	5.3	**5.3**
Public Administration	5.5	6.1	7.1	**6.3**	8.9	8.7	8.4	**8.7**	6.7	5.7	9.6	**7.3**
Others	5.1	5.0	4.9	**5.0**	4.8	5.8	5.6	**5.4**	4.7	(19.2)	(13.0)	**(9.3)**
of which Real Estate	5.2	4.5	3.8	**4.5**	4.7	6.0	5.5	**5.4**	4.4	2.3	5.3	**4.0**
Education	5.3	5.2	5.5	**5.4**	4.3	6.0	6.0	**5.4**	5.3	(56.2)	(41.9)	**(31.2)**
Health	4.1	3.4	5.3	**4.3**	5.4	6.2	5.5	**5.7**	5.8	10.3	5.6	**7.3**
Taxes less subsidies	6.1	6.0	6.2	**6.1**	4.7	4.0	4.2	**4.3**	3.4	(14.2)	(4.2)	**(5.2)**
Real GDP	6.3	6.1	6.5	**6.3**	5.2	5.1	5.8	**5.3**	5.2	(5.5)	(1.1)	**(0.4)**
of which Non-Agriculture	6.2	6.1	6.5	**6.3**	5.7	6.4	6.3	**6.1**	5.2	(8.4)	(2.5)	**(2.0)**

Source of Data: Kenya National Bureau of Statistics

54. The Agriculture sector recorded an improved growth at an average of 6.4 percent in the first three quarters of 2020 compared to a growth of 3.6 percent in the corresponding period of 2019. The sector's performance was supported by a notable increase in tea production, exports of fruits and sugarcane production. The Service and Industry sectors were adversely affected by the COVID-19 pandemic. As a result, the sectors contracted by an average of 2.1 percent in the first three quarters of 2020 down from an average growth of 6.1 percent in a similar period in 2019.

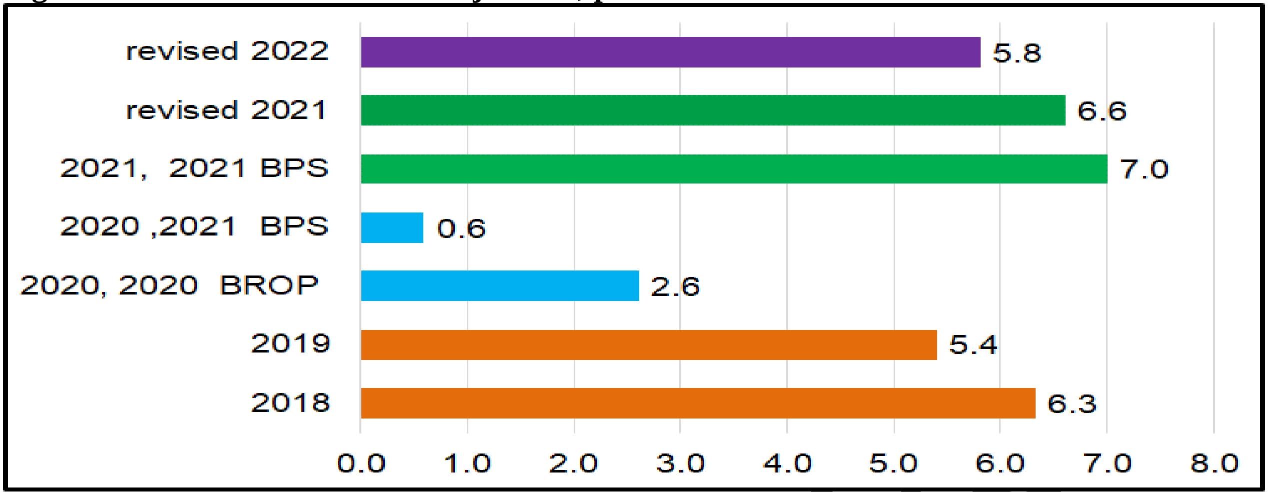
55. Economic indicators by sector for the fourth quarter of 2020 point to strong recovery. Agriculture sector is expected to have performed well following favorable weather conditions which prevailed during the fourth quarter of 2020, resulting in improved production of key crops. Industrial activity is also expected to have recovered strongly as reflected in the economic indicators of the following sectors; Construction (cement consumption), Manufacturing(cement production), and Electricity and Water supply (electricity generation). However, performance of some Service sectors (Accommodation and Restaurant and, Transport and Storage) are likely to remain subdued due to the COVID-19 containment measures which prevailed during the quarter under review.

56. Leading indicators point to a relatively strong recovery in the first quarter of 2021, supported by strong performance of Agriculture, Construction, Information and Communication, Real Estate, and Finance and Insurance sectors. The enhanced COVID-19 containment measures implemented in five counties (Nairobi, Kiambu, Machakos, Kajiado and Nakuru) between March 26 and May 1, and the 13 western lake basin region between June 18 and July 30 are expected to have had a moderate impact on output in the second and third quarters as businesses in most sectors were in operation.

57. Similar to the global economy, Kenya's economy is projected to rebound in 2021 to 6.6 percent from an earlier projection of 7.0 percent in the 2021 BPS. The downward revision was

due to the impact of containment measures between March and July period as a result of the third wave of the COVID-19 pandemic **(Figure 5).**

Figure 5: Annual Growth rate Projections, percent



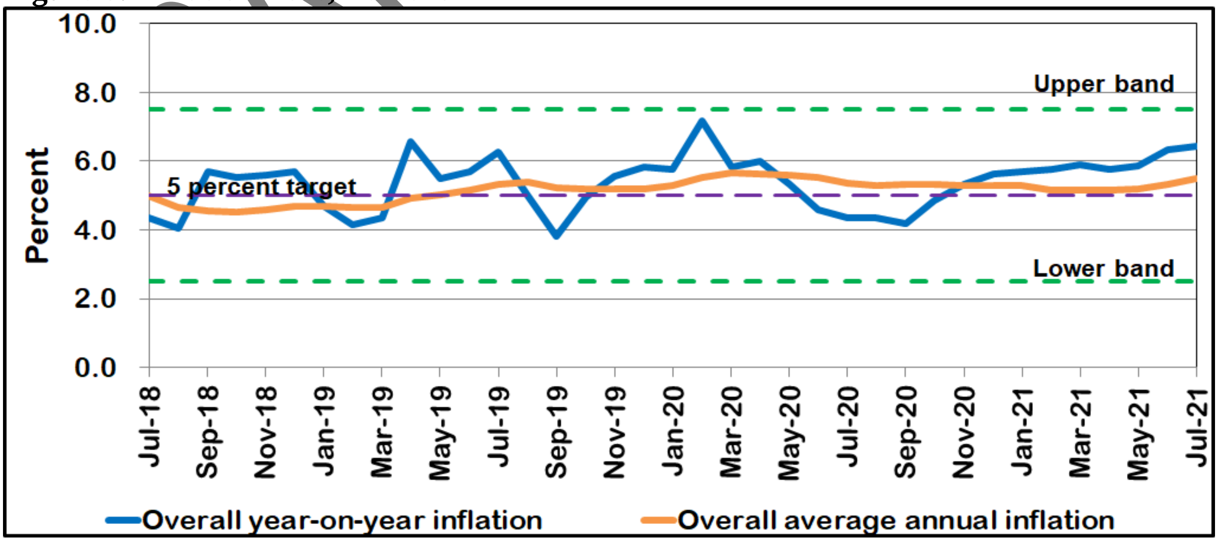
Source of Data: The National Treasury

58. The recovery in 2021 reflects the lower base of 2020 when most service sectors were adversely affected by the closure of the economy thereby recording negative growths. The outlook in 2021 will be reinforced by the prevailing stable macroeconomic environment and the ongoing implementation of the strategic priorities of the Government under the "Big Four" Agenda, Economic Recovery Strategy and other priority programmes as outlined in the Third Medium Term of Vision 2030. Weather conditions are expected to be favourable supporting agricultural output. As a result, export of goods and services will expand as global demand normalizes.

Inflation Rate

59. Year-on-year overall inflation rate has remained low, stable and within the policy target range of 5+/-2.5 percent since end 2017. The year-on-year inflation rate increased in July 2021 but remained within the target range at 6.4 percent from 4.4 percent in July 2020, mainly on account of higher food and fuel prices **(Figure 6).**

Figure 6: Inflation Rate, Percent

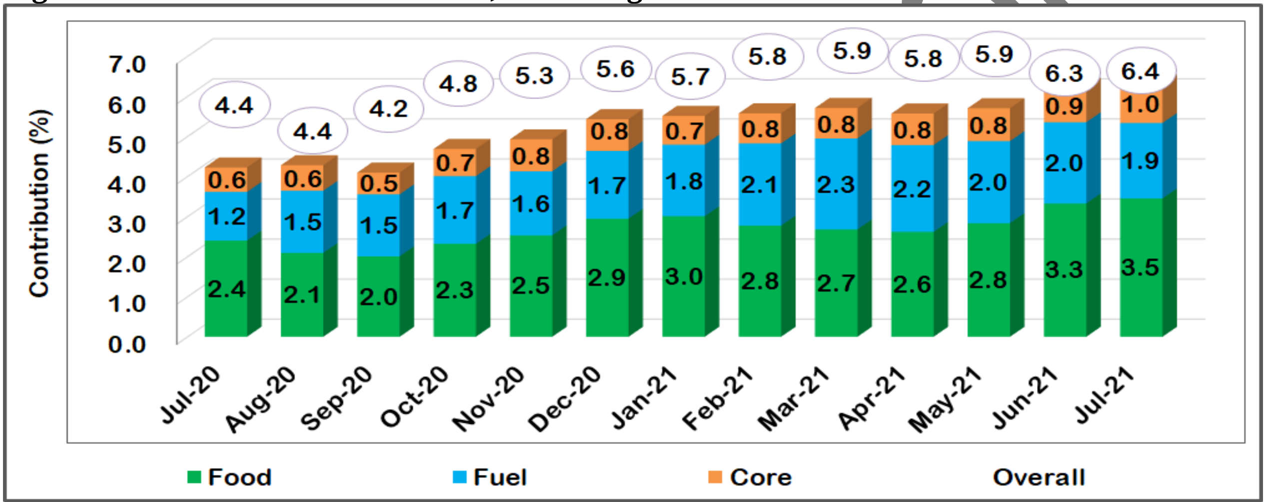


Source of Data: Kenya National Bureau of Statistics

60. The contribution of core inflation to overall inflation has been low and stable, consistent with the muted demand pressures in the economy on account of prudent monetary policies. The contribution of core inflation to overall inflation rose marginally to 1.0 percentage points in July 2021 from 0.6 percentage points in June 2020, reflecting a pick-up in economic activity **(Figure 7).**

61. Food inflation remained the main driver of overall inflation in July 2021, contributing 3.5 percentage points, an increase, compared to a contribution of 2.4 percentage points in July 2020. The increase is on account of a rise in prices of key food items particularly tomatoes, white bread, cabbages, spinach, sukumawiki and cooking oil. Fuel inflation contributed 1.9 percentage points to overall inflation in July 2021 compared to 1.2 percentage points in July 2020 following a pickup in international oil prices. Fuel inflation in July 2021 is reflected in higher electricity costs and increased fares attributed to a rise in petrol prices.

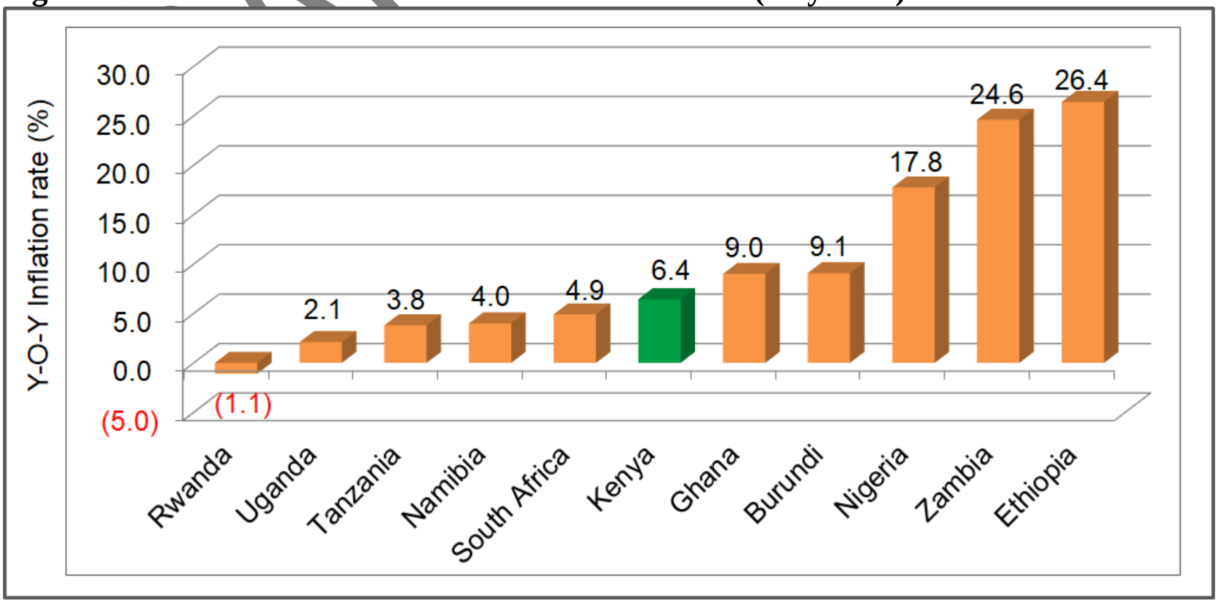
Figure 7: Contributions to Inflation, Percentage Points



Source of Data: Kenya National Bureau of Statistics

62. Kenya’s rate of inflation compares favorably with the rest of Sub-Saharan Africa countries. In July 2021, Kenya recorded a lower inflation rate than Ghana, Burundi, Nigeria, Zambia, and Ethiopia **(Figure 8)**.

Figure 8: Inflation Rates in selected African Countries (July 2021)

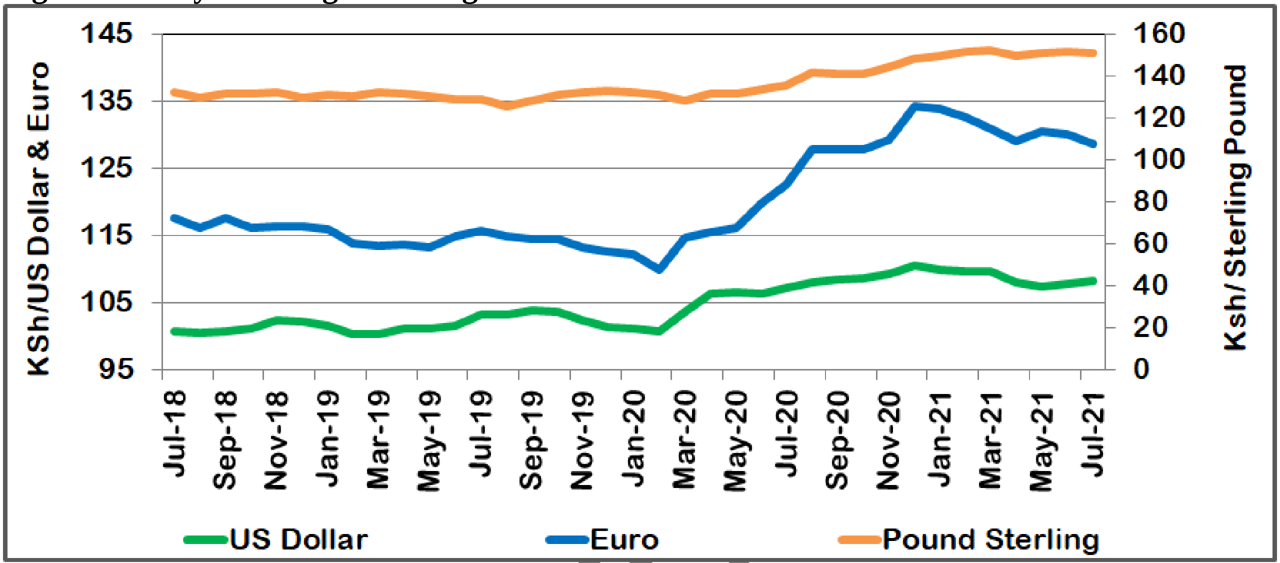


Source of Data: National Central Banks

Kenya Shilling Exchange Rate

63. The foreign exchange market has largely remained stable but partly affected by tight global financial conditions attributed to uncertainty with regard to the COVID-19 pandemic. In this regard, the Kenya Shilling to the US Dollar exchanged at Ksh 108.1 in July 2021 compared to Ksh 107.3 in July 2020 **(Figure 9).**

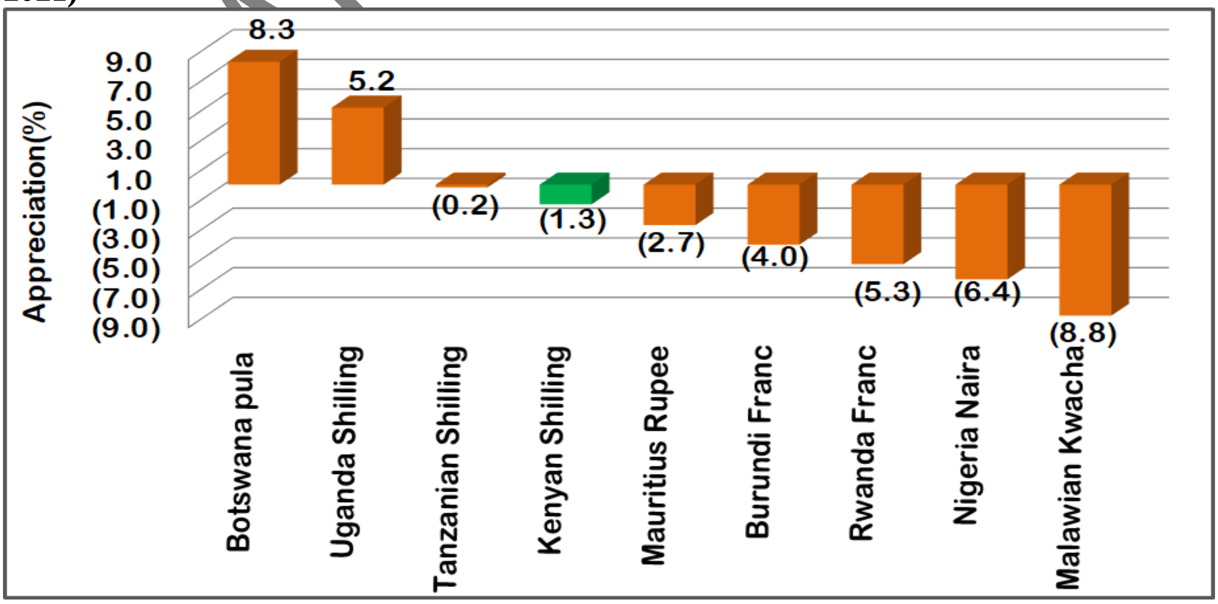
Figure 9: Kenya Shillings Exchange Rate



Source of Data: Central Bank of Kenya.

64. In comparison to most sub-Saharan Africa currencies, the Kenya Shilling has remained relatively stable weakening by 1.3 percent against the US Dollar **(Figure 10).** This depreciation of the Kenya Shilling was lower than that of Rwanda Franc, Nigerian Naira, Mauritius Rupee and Burundi Franc. The stability in the Kenya Shilling was supported by increased remittances, adequate foreign exchange reserves and favourable horticultural exports (fruits, vegetables and cut flowers.

Figure 10: Performance of Selected Currencies against the US Dollar (June 2020 to June 2021)



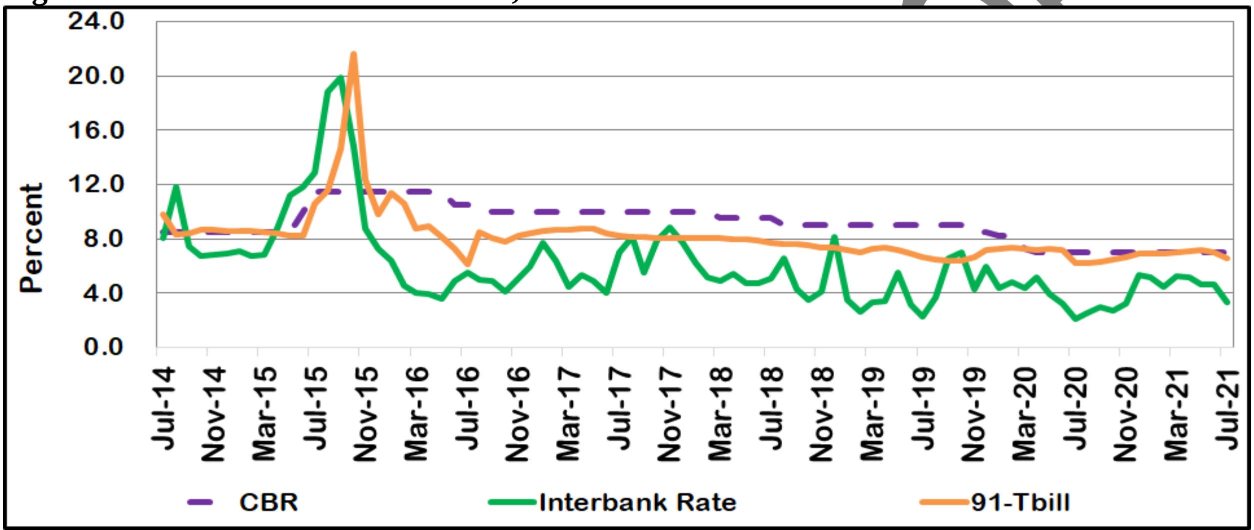
Source of Data: National Central Banks

Interest Rates

65. Short-term interest rates remained fairly low and stable. The Central Bank Rate was retained at 7.0 percent in July 2021 to signal lower lending rates in order to support credit access by borrowers especially the Small and Medium Enterprises distressed by COVID-19 pandemic. The money market was relatively liquid in July 2021 supported by government payments, which offset tax remittances. As such, the interbank rate remained low but increased slightly to 3.3 percent in July 2021 from 2.1 percent in July 2020 **(Figure 11).**

66. Interest rates on the Treasury bills remained relatively stable in July 2021. The 91-day Treasury Bills rate was at 6.6 percent in July 2021 compared to 6.2 percent in July 2020. Over the same period, the 182-day Treasury Bills rate increased to 7.1 percent from 6.7 percent while the 364-day decreased to 7.5 percent from 7.6 percent.

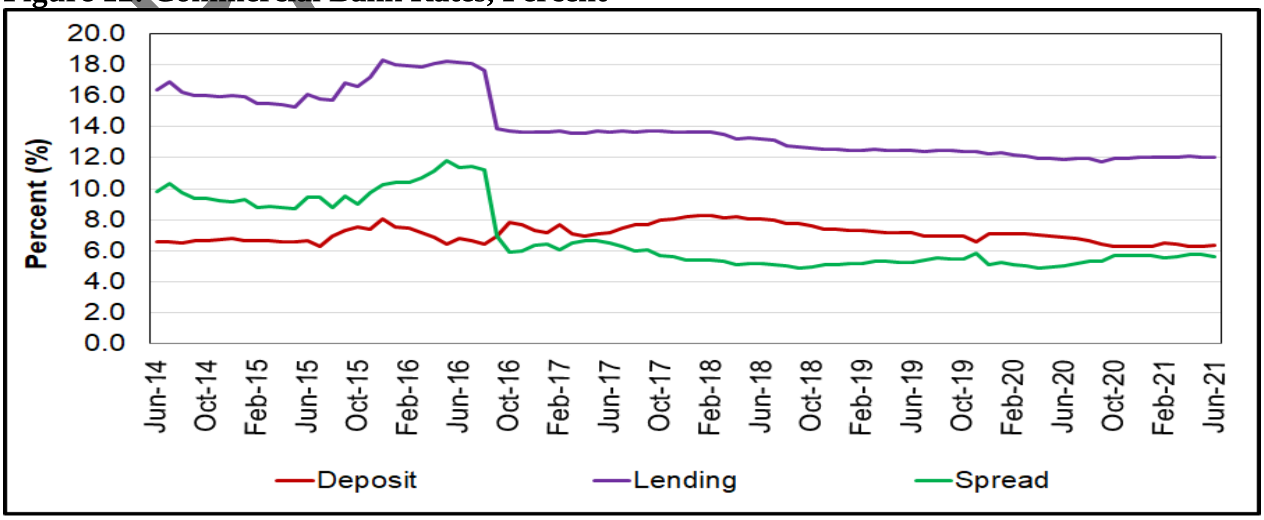
Figure 11: Short Term Interest Rates, Percent



Source of Data: Central Bank of Kenya

67. The improved liquidity in the money market has resulted in stable commercial bank rates. The average lending rate remained stable at 12.0 percent in June 2021 compared to 11.9 percent in June 2020 while the average deposit rates declined from 6.9 percent to 6.4 percent over the same period. This led to a marginal increase in the average interest rate spread by 0.4 percentage points over the review period **(Figure 12)**.

Figure 12: Commercial Bank Rates, Percent



Source of Data: Central Bank of Kenya

Money and Credit

68. Broad money supply, M3, grew by 6.3 percent in the year to June 2021 compared to a growth of 9.1 percent in June 2020. The growth in M3 was attributed to an increase in the Net Domestic Assets particularly improvement in net credit flows to the government and the private sector.

69. Net Foreign Assets (NFA) of the banking system in the year to June 2021 contracted by 12.0 percent, compared to a contraction of 5.7 percent in the year to June 2020. The contraction in NFA was reflected in the decline in the foreign currency reserves by the Central Bank. The NFA of commercial banks also declined during the review period as a result of a decrease in the deposits abroad.

70. Meanwhile, Net Domestic Assets (NDA) increased to register a growth of 11.7 percent in the year to June 2021 from a growth of 14.5 percent over a similar period in 2020**.** This was largely due to an improvement in net credit flows to both Government and the private sectors. The increased net lending to Government was on account of Government spending resulting in lower deposit holding at the Central Bank of Kenya. However, net credit flows to other public sectors declined during the review period **(Table 12).**

Table 12: Money and Credit Developments (12 Months to June 2021 Ksh billion)

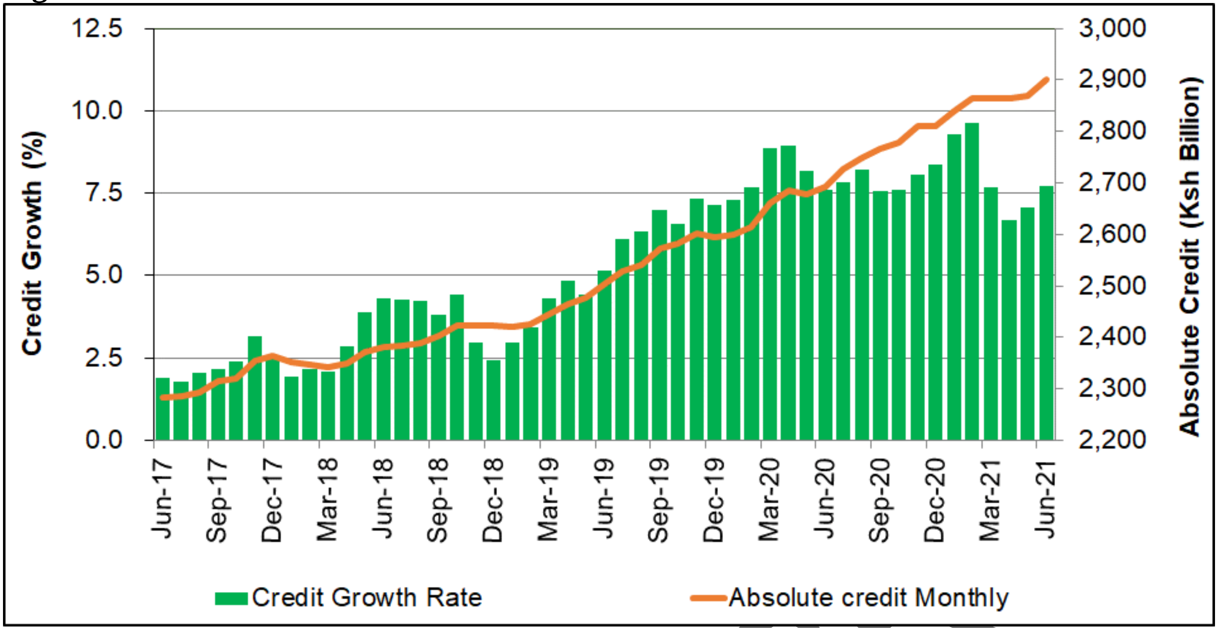
				Change		Percent Change	
	2019 June	**2020 June**	**2021 June**	**2019-2020 June**	**2020-2021 June**	**2019-2020 June**	**2020-2021 June**
COMPONENTS OF M3							
1. Money supply, M1 (1.1+1.2+1.3)	1,575.5	1,692.9	1,775.2	117.4	82.3	7.5	4.9
1.1 currency outside banks (M0)	196.9	210.9	225.9	13.9	15.0	7.1	7.1
1.2 Demand deposits	1,212.7	1,349.9	1,409.9	137.1	60.0	11.3	4.4
1.3 Other deposits at CBK	165.8	132.2	139.5	(33.6)	7.3	(20.3)	5.5
2. Money supply, M2 (1+2.1)	2,943.7	3,227.6	3,373.5	283.9	145.8	9.6	4.5
2.1 Time and savings deposits	1,368.2	1,534.7	1,598.2	166.5	63.5	12.2	4.1
Money supply, M3 (2+3.1)	**3,564.2**	**3,890.0**	**4,133.8**	**325.8**	**243.8**	**9.1**	**6.3**
3.1 Foreign currency deposits	620.5	662.4	760.3	41.9	98.0	6.7	14.8
SOURCES OF M3							
1. Net foreign assets (1.1+1.2)	939.9	886.0	779.7	(54.0)	(106.2)	(5.7)	(12.0)
1.1 Central Bank	941.0	918.1	831.7	(22.9)	(86.3)	(2.4)	(9.4)
1.2 Banking Institutions	(1.1)	(32.1)	(52.0)	(31.1)	(19.9)	(2,855.8)	(61.9)
2. Net domestic assets (2.1+2.2)	2,624.3	3,004.0	3,354.1	379.7	350.0	14.5	11.7
2.1 Domestic credit (2.1.1+2.1.2+2.1.3)	3,490.0	3,930.3	4,391.7	440.3	461.4	12.6	11.7
2.1.1 Government (net)	890.5	1,148.7	1,406.1	258.1	257.5	29.0	22.4
2.1.2 Other public sector	96.4	88.4	84.4	(8.0)	(4.0)	(8.3)	(4.5)
2.1.3 Private sector	2,503.0	2,693.2	2,901.1	190.2	207.9	7.6	7.7
2.2 Other assets net	(865.6)	(926.2)	(1,037.6)	(60.6)	(111.4)	(7.0)	(12.0)

Source of Data: Central Bank of Kenya

Private Sector Credit

71. Private sector credit grew by 7.7 percent in the 12 months to June 2021 compared to a growth of 7.6 percent in the year to June 2020 **(Figure 13).** Strong credit growth was mainly observed in manufacturing (8.1 percent) consumer durables (23.4 percent); transport and communication (11.8 percent). The number of loan applications picked up in June reflecting improved demand with increased economic activities. The Credit Guarantee Scheme for the vulnerable Micro, Small and Medium Enterprises (MSMEs), that was launched in October 2020, continues to de-risk lending by commercial banks and is critical to increasing credit to this sector.

Figure 13: Private Sector Credit

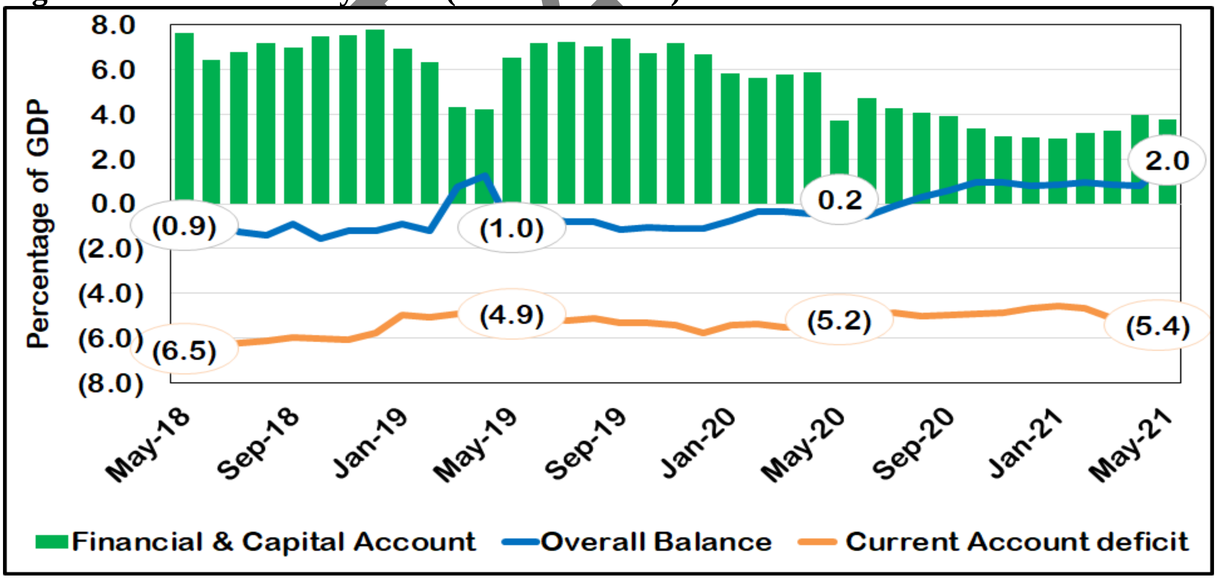


Source of Data: Central Bank of Kenya

External Sector Developments

72. The overall balance of payments position improved to a surplus of USD 1,970.0 million (2.0 percent of GDP) in the year to May 2021 from a surplus of USD 210.5 million (0.2 percent of GDP) in the year to May 2020 (**Figure 14**). This was mainly due to reduced payments on imports, and improved export earnings despite lower receipts from services. The capital account also improved during the review period **(Table 14)**.

Figure 14: Balance of Payments (Percent of GDP)



Source of Data: Central Bank of Kenya

73. The current account deficit was at USD 5,361.8 million (5.4 percent of GDP) in the year to May 2021 from USD 5,137.5 million (5.2 percent of GDP) in the year to May 2020 **(Table 13).** The current account balance was supported by an improvement in the merchandise account balance, the net primary income balance and the net secondary income balance.

Table 13: Balance of Payments (USD Million)

		2020			2021			Year to May 2021		Percent of GDP	
	May-19	May-20	Sep-20	Dec-20	Mar-21	Apr-21	May-21	absolute change	Percent Change	May-20	May-21
Overall Balance	(986.2)	210.5	622.1	784.3	859.0	790.3	1,970.0	1,759.5	89.3	0.2	2.0
A) Current Account	(4,714.3)	(5,137.5)	(4,882.7)	(4,564.1)	(4,995.1)	(5,084.5)	(5,361.8)	(224.3)	(4.2)	(5.2)	(5.4)
Merchandise Account (a-b)	(10,128.3)	(9,691.8)	(8,940.4)	(8,349.5)	(8,767.1)	(8,969.2)	(9,265.8)	425.9	4.6	(9.7)	(9.3)
a) Goods: exports	5,953.8	5,975.9	6,015.9	6,060.8	6,035.4	6,176.6	6,326.5	350.6	5.5	6.0	6.4
b) Goods: imports	16,082.1	15,667.7	14,956.3	14,410.3	14,802.5	15,145.9	15,592.3	(75.4)	(0.5)	15.7	15.7
Net Services (c-d)	1,915.2	1,157.5	605.2	238.6	(41.7)	(73.8)	(146.2)	(1,303.7)	(891.7)	1.2	(0.1)
c) Services: credit	5,723.2	4,969.8	4,288.8	3,834.0	3,525.2	3,578.3	3,599.4	(1,370.4)	(38.1)	5.0	3.6
d) Services: debit	3,808.1	3,812.3	3,683.6	3,595.3	3,567.0	3,652.1	3,745.6	(66.7)	(1.8)	3.8	3.8
Net Primary Income (e-f)	(1,696.6)	(1,739.8)	(1,534.9)	(1,428.1)	(1,332.8)	(1,331.5)	(1,346.9)	392.9	29.2	(1.7)	(1.4)
e) Primary income: credit	219.5	208.6	171.9	147.6	128.0	128.3	130.6	(77.9)	(59.7)	0.2	0.1
f) Primary income: debit	1,916.0	1,948.3	1,706.8	1,575.8	1,460.9	1,459.7	1,477.5	(470.8)	(31.9)	2.0	1.5
Net Secondary Income	5,195.4	5,136.6	4,987.5	4,974.8	5,146.5	5,290.0	5,397.1	260.5	4.8	5.1	5.4
g) Secondary income: credit	5,247.4	5,188.6	5,042.4	5,026.3	5,194.0	5,337.3	5,445.1	256.5	4.7	5.2	5.5
h) Secondary income: debit	52.0	52.0	55.0	51.5	47.5	47.3	48.0	(4.1)	(8.4)	0.1	0.0
B) Capital Account	217.6	161.3	155.1	130.4	190.2	268.2	251.2	89.8	35.8	0.2	0.3
C) Financial Account	(6,058.1)	(3,564.5)	(3,726.2)	(2,783.4)	(3,014.0)	(3,666.8)	(3,503.6)	61.0	1.7	(3.6)	(3.5)

Source of Data: Central Bank of Kenya

74. The balance in the merchandise account improved by USD 425.9 million to a deficit of USD 9,265.8 million in the year to May 2021 on account of a decline in imports and an increase in exports. In the year to May 2021, exports grew by 5.5 percent primarily driven by increased receipts from exports of horticulture and manufactured goods. On the other hand, the value of imports declined by 0.5 percent in the year to May 2021 mainly reflecting relatively lower international oil prices. Although oil prices increased from a low level in April 2020 due to a COVID-19 demand shock, they remained below the pre-COVID levels.

75. Net receipts on the services account declined by USD 1,303.7 million to a deficit of USD 146.2 million in the year to May 2021 compared to a surplus of USD 1,157.5 million in a similar period in 2020 mainly on account of lower receipts from transport and travel services. The balance on the primary account narrowed by USD 392.9 million to a deficit of USD 1,346.9 million in the year to May 2021 from a deficit of USD 1,739.8 million in a similar period in 2020, reflecting lower reinvestment related outflows. Secondary income inflows remained resilient and increased by USD 260.5 million during the review period supported by remittances.

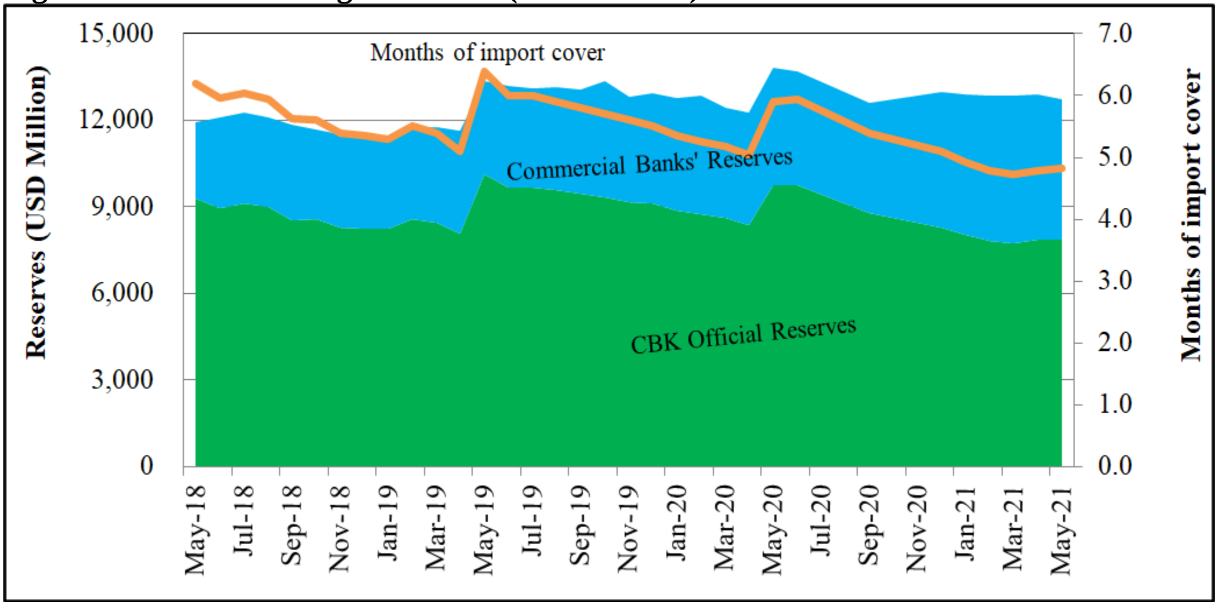
76. The capital account balance improved to a surplus of USD 251.2 million in the year to May 2021, a growth of 55.7 percent, compared to a surplus of USD 161.3 million over the same period in 2020. Net financial inflows were at USD 3,503.6 million in May 2021 compared to USD 3,564.5 million in May 2020. The net financial inflows were mainly in the form of other investments net inflows which stood at USD 4,716.5 million in May 2021. Direct investments, portfolio investments and financial investments recorded net financial outflows during the same period.

Foreign Exchange Reserves

77. The banking system's foreign exchange holdings remained strong at USD 12,745.4 million in May 2021 from USD 13,805.7 million in May 2020. The official foreign exchange reserves held by the Central Bank was at USD 7,871.6 million (4.8 months of import cover) in May 2021 compared with USD 9,738.3 million (5.9 months of import cover) in May 2020

(Figure 15). This fulfills the requirement to maintain reserves at minimum of 4.0 months of import cover to provide adequate buffer against short term shocks in the foreign exchange market. Commercial banks holdings increased to USD 4,873.8 million in May 2021 from USD 4,067.3 million in May 2020.

Figure 15: Official Foreign Reserves (USD Million)

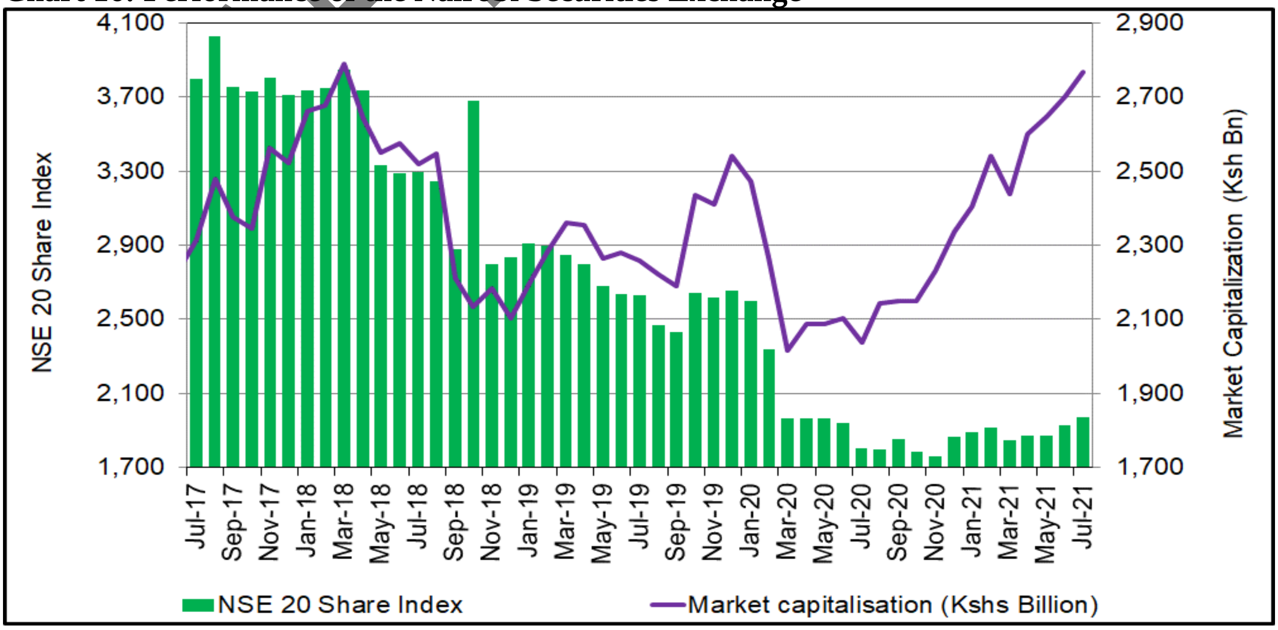


Source of Data: Central Bank of Kenya

CAPITAL MARKETS DEVELOPMENT

78. Activity in the capital markets increased in July 2021 compared to July 2020, with equity share prices increasing as shown by the NSE 20 Share Index. The NSE 20 Share Index stood at 1,974 points by end of July 2021, an increase compared to 1,804 points by end July 2020. Market capitalization also increased to Ksh. 2,766 billion from Ksh. 2,034 billion over the same period indicating increased trading activities **(Chart 16).**

Chart 16: Performance of the Nairobi Securities Exchange



Source of Data: Nairobi Securities Exchange

B. Medium Term Economic Outlook

Global Growth Outlook

79. The global economic recovery continues to strengthen, largely supported by gradual reopening of economies, relaxation of COVID-19 restrictions particularly in the major economies, ongoing deployment of vaccines, and strong policy measures. Nevertheless, the outlook for global growth remains highly uncertain, due to the resurgence of infections, the reintroduction of containment measures, and the uneven pace of vaccinations across the globe. As such, global growth is projected to grow at 6.0 percent in 2021, moderating to 4.9 percent in 2022 from the contraction of 3.2 percent in 2020 .

80. Global growth is expected to moderate to 3.4 percent over the medium term reflecting projected damage to supply potential and forces that preceded the pandemic, including slower labour force growth due to aging population in advanced economies and some emerging market economies. The emerging market economies and low-income developing countries have been hit harder and are expected to suffer more significant medium-term losses.

81. The Sub-Saharan African region has not been spared the negative effects of the pandemic with the region estimated to have contracted by 1.8 percent in 2020. Consistent with forecast in other regions, economic growth in the region is expected to recover to 3.4 percent in 2021 and 4.1 percent in 2022 supported by improved exports and commodity prices along with a recovery in both private consumption and investment. However, per capita output is not expected to return to 2019 levels until after 2022.

Domestic Growth Outlook

82. Like the rest of the world, the domestic economy was not spared from the adverse impact of the Pandemic in FY 2020/21. As such, economic growth is estimated to have slowed down in FY 2020/21. However, growth is expected to rebound to 6.2 percent in FY 2021/22 and above 6.0 percent over the medium term.

83. This outlook will be reinforced by the prevailing stable macroeconomic environment and the ongoing implementation of the strategic priorities of the Government under the “Big Four” Agenda and Economic Recovery Strategy. Weather conditions are expected to be favorable supporting agricultural output. As a result, export of goods and services will expand as global demand normalizes. These factors will push up consumer demand and increase both public and private sector investment reinforcing the projected growth. The economic growth projections over the medium term are aligned to those of the Third Medium Term Plan (2018-2022) of the Vision 2030 **(Table 14 and Annex Table 1).**

Table 14: Macroeconomic Indicators, in Fiscal Years

	2019/20	2020/21		2021/22			2022/23		2023/24		2024/25		2025/26
	Act	Rev. Budget II	Pre. Act	BPS'21	Approved Budget	Proj.	BPS'21	BROP'21	BPS'21	BROP'21	BPS'21	BROP'21	BROP'21
annual percentage change, unless otherwise indicated													
National Account and Prices													
Real GDP	3.0	3.6	3.6	6.3	6.2	6.2	5.7	5.9	6.0	6.0	6.1	6.2	6.3
GDP deflator	5.6	6.4	6.4	5.2	5.2	5.2	5.0	5.0	5.4	5.4	5.3	5.3	6.1
CPI Index (eop)	5.2	5.1	5.1	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
CPI Index (avg)	5.2	5.1	5.1	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Terms of trade (-deterioration)	-2.2	-2.9	-2.9	1.1	1.1	1.1	-0.3	-0.3	0.5	0.5	0.6	0.6	0.7
in percentage of GDP, unless otherwise indicated													
Investment and Saving													
Investment	9.3	11.9	11.9	19.8	19.7	19.7	18.3	18.8	19.0	19.2	19.4	19.7	19.9
Central Government	5.8	5.8	5.0	4.9	4.9	4.9	4.8	4.9	4.9	5.0	4.8	4.9	2.9
Other	3.4	6.1	6.9	14.9	14.8	14.7	13.4	13.9	14.1	14.2	14.6	14.7	17.0
Gross National Saving	3.4	5.9	5.9	13.8	13.7	13.7	12.2	12.7	12.8	13.0	13.1	13.3	13.6
Central Government	-3.4	-2.9	-4.7	-2.6	-4.4	-4.4	-1.4	-3.0	-0.4	-2.2	-0.1	-1.9	-0.1
Other	6.8	8.9	10.6	16.4	18.1	18.1	13.6	15.7	13.2	15.2	13.2	15.3	13.7
Central Government Budget													
Total revenue	17.1	16.5	16.0	16.4	16.5	16.7	17.3	17.5	18.2	18.3	18.1	18.3	18.3
Total expenditure and net lending	25.2	25.9	24.6	24.3	24.5	24.7	23.3	23.5	22.7	23.1	22.0	22.6	22.3
Overall Fiscal balance excl. grants	-8.1	-9.4	-8.6	-7.9	-8.0	-8.0	-6.0	-6.0	-4.6	-4.8	-3.9	-4.3	-4.1
Overall Fiscal balance, incl. grants, cash basis	-7.8	-8.8	-8.3	-7.5	-7.5	-7.5	-5.6	-5.6	-4.2	-4.5	-3.6	-4.0	-3.8
Primary budget balance	-3.5	-4.6	-3.9	-3.0	-3.0	-2.7	-1.0	-0.8	0.3	0.2	0.6	0.5	0.6
External Sector													
Current external balance, including official transfers	-5.9	-6.0	-6.0	-6.0	-6.0	-6.0	-6.1	-6.1	-6.2	-6.2	-6.3	-6.3	-6.3
Gross reserves in months of this yr's imports	6.3	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.9	5.9	5.9
Memorandum Items:													
Nominal GDP (in Ksh Billion)	10,175	11,147	11,169	12,393	12,365	12,393	13,760	13,760	15,373	15,373	17,128	17,128	19,064

Source of Data: National Treasury

Monetary Policy Outlook

84. The main objective of monetary policy, over the medium term will be to maintain price stability with overall inflation expected to remain within the target range. The Central Bank of Kenya will continue to monitor developments in the money and foreign exchange market and take appropriate measures in the event of adverse shocks.

Fiscal Policy Outlook

85. Fiscal policy over the medium-term aims at enhancing revenue mobilisation, expenditure rationalization and strengthening management of public debt to minimize cost and risks of the portfolio, while accessing external concessional funding to finance development projects. This is geared towards economic recovery to support sustained, rapid and inclusive economic growth, safeguard livelihoods and continue the fiscal consolidation programme to create fiscal space for the implementation of the "Big Four" Agenda.

C. Risks to the Domestic Economic Outlook

86. There are risks to this macroeconomic outlook emanating from domestic as well external sources. On the domestic front, the emergence of new COVID-19 variants that may require

broader reinstatement of containment measures, in the country and its trading partners could lead to renewed disruptions to trade and tourism . Other risks relate to lower agricultural output due to potential adverse weather conditions and continued desert locust infestation in the northern region of the country, which could potentially reduce production of food crops and animal feeds. Additionally, increased public expenditure pressures, particularly wage and other recurrent expenditures would put a strain to the fiscal space.

87. The upside risk to the domestic economy relate to faster than projected rebound in economic activities that would result in higher Government revenues providing fiscal space that would support faster reduction in fiscal deficit and debt accumulation. Additionally, potential lower oil prices in the international market would result in improved terms of trade.

88. On the external side, risks will depend on how the world responds to the health crisis, including whether the new COVID-19 strains are responsive to vaccines. Additionally, growth would be weaker than projected if logistical hurdles in procuring and distributing vaccines especially in emerging market and developing economies will be slow. The delays would allow the new variants to spread, with possibly higher risks of infections among the vaccinated populations. World economies will be shaped by policies taken to limit persistent economic disruptions; the evolution of financial conditions and commodity prices especially oil in the international market; and, the adjustment capacity of the economies.

On the upside, better global cooperation on vaccines could help prevent renewed waves of infection and the emergence of new variants, end the health crisis sooner than assumed, and allow for faster normalization of activity, particularly among emerging market and developing economies. The Kenyan Government continues to monitor the domestic and external environment and will take appropriate policy measures to safeguard the economy against the adverse effects were the risks to materialize.

IV. RESOURCE ALLOCATION FRAMEWORK

A. Implementation of the FY 2021/22 Budget

89. Implementation of the FY 2021/22 budget has begun well with indicators in the first month pointing to meeting the end year target especially in revenue collection. This performance coupled with a strong outcome in revenue collection in the FY 2020/21 indicate that the projections for FY 2021/22 are realistic and offers a strong base for supporting the expenditure estimates in the FY 2022/23 budget. Building from this confidence, the revenue projections and the expenditure estimates for FY 2021/22 have been retained as approved by Parliament in June 2021 and in line with the 2021 Budget Policy Statement.

90. Therefore, total revenues for the FY 2021/22 are projected at Ksh 2,038.7 billion (16.5 percent of GDP) with ordinary revenues at Ksh 1,775.6 billion (14.3 percent of GDP). On the other hand, expenditures are projected at Ksh 3,030.3 billion (24.5 percent of GDP) with recurrent expenditures projected at Ksh 1,991.9 billion (16.1 percent of GDP), development expenditures are projected at Ksh 623.5 billion (5.0 percent of GDP) and an allocation of Ksh 5.0 billion to contingency fund. Transfer to County Governments is projected at Ksh 409.9 billion (3.3 percent of GDP). The resulting fiscal deficit of Ksh 929.7 billion (7.5 percent of GDP) will be financed by a net external financing of Ksh 271.2 billion and a net domestic borrowing of Ksh 658.5 billion (**Annex Table 2 and 3**).

B. FY 2022/23 Budget Framework

91. The FY 2022/23 and the medium term budget framework builds up on the Government's efforts to stimulate and sustain economic activity, mitigate the adverse impact of COVID-19 pandemic on the economy and re-position the economy on a sustainable and inclusive growth trajectory. This will be achieved through implementation of programmes in the Economic Recovery Strategy, the "Big Four" Agenda and other priority programmes outlined in the Third Medium Term Plan (MTP III) of the Vision 2030. Additionally, the Government will continue to implement its fiscal consolidation plan to contain the pace of growth in debt. In this regard, particular emphasis will be placed on aggressive revenue mobilization including policy measure to whip in additional revenue and reign on expenditures to restrict its growth. Expenditure measures will include cost budgeting and adoption of the directive on initiation of new projects, a review of portfolio of externally funded projects to restructure and re-align with the Government priority programmes and reducing non-priority spending. As a result, the overall fiscal deficit is expected to decline from 7.5 percent of GDP in FY 2021/22 to 5.6 percent of GDP in FY 2022/23. This will boost the country's debt sustainability position and ensure the country's development agenda is sustainably funded.

92. In the FY 2022/23 total revenue including Appropriation-in-Aid (A-i-A) is projected at Ksh 2,405.3 billion (17.5 percent of GDP). Of this, ordinary revenue is projected at Ksh 2,141.6 billion (15.6 percent of GDP). This revenue performance will be underpinned by the on-going reforms in tax policy and revenue administration and boosted by economic recovery occasioned by implementation of priority programmes under the Economic Recovery Strategy, the "Big Four" Agenda and other priority programmes outlined in MTP III of Vision 2030.

93. On the other hand, the overall expenditure and net lending are projected at Ksh 3,228.1 (23.5 percent of GDP). Of this, recurrent expenditure will amount to Ksh 2,141.2 billion (15.6 percent of GDP) while development expenditure will amount to Ksh 675.2 billion (4.9 percent of GDP). Transfer to Counties and Contingency Fund are projected at Ksh 406.5 billion and Ksh 5.0 billion, respectively.

94. The resulting fiscal deficit of Ksh 775.8 billion (5.6 percent of GDP) in FY 2022/23 will be financed by a net external financing of Ksh 367.8 billion (2.6 percent of GDP) and a net domestic financing of Ksh 408.1 billion (3.0 percent of GDP).

C. Medium Term Fiscal Projections

95. Over the medium term, driven by economic recovery strategies, continued reforms in revenue administration and revenue enhancement measures, the Government's total revenue including A-i-A is projected to rise from 16.5 percent of GDP in FY 2021/22 to 17.5 percent of GDP in FY 2022/23 and remain at 18.3 percent of GDP over the medium term. On the other hand, the Government will continue to rationalize expenditures by eliminating non-core expenditures while improving efficiency in development projects implementation so as to contain expenditure growth, stabilize debt and reduce debt vulnerabilities. Therefore, total expenditure is projected to progressively decline from 24.5 percent of GDP in FY 2021/22 to 23.5 percent of GDP in FY 2022/23 and further to 22.6 percent of GDP over the medium term. Of the total expenditures, recurrent expenditures are expected to decline from 16.1 percent of GDP in FY 2021/22 to 15.6 percent of GDP in FY 2022/23 and further to 15.1 percent over the medium term. While development and net lending expenditure is expected to remain stable at around 5.0 percent of GDP over the medium term.

96. In line with the fiscal consolidation plan, the overall fiscal deficit is projected to decline from 7.5 percent of GDP in FY 2021/22 to 5.6 percent of GDP in FY2022/23 and further to 4.0 percent of GDP in FY 2024/25 (**Annex Table 2 and 3**). This is intended to significantly improve Kenya's debt sustainability position.

D. Medium-Term Expenditure Framework

97. The Government will continue with its policy of expenditure prioritization with a view to supporting economic recovery and achieving its transformative development agenda. This agenda is anchored on provision of core services, creation of employment opportunities improving the general welfare of the people and ensuring equity while minimizing costs through the elimination of duplication and inefficiencies. Realization of these objectives will have implications in the budget ceilings provided in this BROP. The following criteria will serve as a guide for allocating resources:

(i) Linkage of programmes to Economic Recovery Strategy;
(ii) Linkage of programmes to the 'Big Four' Plan either as drivers or enablers;
(iii) Linkage of programmes with the objectives of MTP III of Vision 2030;
(iv) Degree to which programmes address job creation and poverty reduction;
(v) Degree to which programmes address core mandates of MDAs;
(vi) Expected outputs and outcomes from programmes;
(vii) Cost effectiveness and sustainability of the programmes; and
(viii) Requirements for furtherance and implementation of the Constitution.

98. In addition to supporting Economic Recovery Strategy, the Government will prioritize resources towards achievement of the following initiatives under the "Big Four" Agenda:

(i) Enhancing Food and Nutrition Security to all Kenyans by 2022.
(ii) Providing Universal Health Coverage and Guaranteeing Quality and Affordable Healthcare to all Kenyans.
(iii) Providing Affordable and Decent Housing for all Kenyans; and
(iv) Supporting value addition and raising the manufacturing sector share of GDP.

V. CONCLUSION AND NEXT STEPS

99. The FY 2022/23 and the medium-term budget is being prepared against a background of projected global and domestic economic recovery. The global recovery is supported by fiscal support in a few large economies, monetary easing and COVID-19 vaccinations. Likewise, Kenyan economy is projected to recover from the effects of COVID-19 Pandemic and grow at a rate of 6.2 percent in FY 2021/22 from a slowdown in FY 2020/21. Economic growth is thereafter projected to slow down to 5.9 percent in FY 2022/23, largely due to the uncertainty associated with the general election, and recover to 6.3 percent by FY 2025/26.

100. To strengthen the economic recovery, the budget for FY 2022/23 and the medium term will focus on resource mobilization and reduction on non-core expenditures in order to reduce the fiscal deficit and ensure debt sustainability. The Government will continue implementation of the Economic Recovery Strategy and "Big Four" Agenda as prioritized in the third Medium Term Plan (MTP III) of the Vision 2030 to build resilient and sustainable economic recovery and inclusive growth

101. Given the tight resource envelope, all Sector Working Groups are required to carefully scrutinize all proposed Ministries, Departments and Agencies (MDAs) budgets for FY 2022/23 and the medium term to ensure that they strictly adhere to the hard sector ceilings and the strict deadlines provided in this document to facilitate the finalization and appropriation of the FY 2022/23 and the medium-term budget. The resource envelope and ceilings for each Sector provided in this Budget Review and Outlook Paper will form inputs into the 2022 Budget Policy Statement.

Annex Table 1: Macroeconomic Indicators for the FY 2019/20- 2025/26 Period

	2019/20	2020/21		2021/22			2022/23		2023/24		2024/25		2025/26
	Act	Rev. Budget II	Pre. Act	BPS'21	Approved Budget	Proj.	BPS'21	BROP'21	BPS'21	BROP'21	BPS'21	BROP'21	Proj.
annual percentage change, unless otherwise indicated													
National Account and Prices													
Real GDP	3.0	3.6	3.6	6.3	6.2	6.2	5.7	5.9	6.0	6.0	6.1	6.2	6.3
GDP deflator	5.6	6.4	6.4	5.2	5.2	5.2	5.0	5.0	5.4	5.4	5.3	5.3	6.1
CPI Index (eop)	5.2	5.1	5.1	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
CPI Index (avg)	5.2	5.1	5.1	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Terms of trade (-deterioration)	-2.2	-2.9	-2.9	1.1	1.1	1.1	-0.3	-0.3	0.5	0.5	0.6	0.6	0.7
Money and Credit (end of period)													
Net domestic assets	13.5	11.0	11.3	10.2	10.2	10.2	12.0	12.0	13.0	13.0	12.6	12.6	12.1
Net domestic credit to the Government	21.0	24.2	24.2	21.1	20.1	20.1	13.5	10.5	11.1	11.8	9.6	12.6	16.4
Credit to the rest of the economy	7.6	8.9	9.2	7.7	8.0	8.1	13.8	15.2	13.7	13.3	13.2	11.7	7.7
Broad Money, M3 (percent change)	8.4	9.5	9.8	11.0	10.9	11.0	11.0	11.0	11.7	11.7	11.4	11.4	11.3
Reserve money (percent change)	-2.9	12.7	12.9	6.5	6.5	6.5	6.6	6.6	7.2	7.2	6.9	6.9	6.8
in percentage of GDP, unless otherwise indicated													
Investment and Saving													
Investment	9.3	11.9	11.9	19.8	19.7	19.7	18.3	18.8	19.0	19.2	19.4	19.7	19.9
Central Government	5.8	5.1	5.0	4.9	4.9	4.9	4.8	4.9	4.9	5.0	4.8	4.9	2.9
Other	3.4	6.8	6.9	14.9	14.8	14.7	13.4	13.9	14.1	14.2	14.6	14.7	17.0
Gross National Saving	3.4	5.9	5.9	13.8	13.7	13.7	12.2	12.7	12.8	13.0	13.1	13.3	13.6
Central Government	-3.4	-4.7	-4.7	-2.6	-4.4	-4.4	-1.4	-3.0	-0.4	-2.2	-0.1	-1.9	-0.1
Other	6.8	10.6	10.6	16.4	18.1	18.1	13.6	15.7	13.2	15.2	13.2	15.3	13.7
Central Government Budget													
Total revenue	17.1	16.5	16.0	16.4	16.5	16.7	17.3	17.5	18.2	18.3	18.1	18.3	18.3
Total expenditure and net lending	25.2	25.9	24.6	24.3	24.5	24.7	23.3	23.5	22.7	23.1	22.0	22.6	22.3
Overall Fiscal balance excl. grants	-8.1	-9.4	-8.6	-7.9	-8.0	-8.0	-6.0	-6.0	-4.6	-4.8	-3.9	-4.3	-4.1
Overall Fiscal balance, incl. grants, cash basis	-7.8	-8.8	-8.3	-7.5	-7.5	-7.5	-5.6	-5.6	-4.2	-4.5	-3.6	-4.0	-3.8
Primary budget balance	-3.5	-4.6	-3.9	-3.0	-3.0	-2.7	-0.9	-0.8	0.3	0.2	0.6	0.5	0.6
Net domestic borrowing	4.4	5.0	5.6	5.4	5.3	5.2	3.2	3.0	2.7	3.3	2.7	3.5	3.2
External Sector													
Exports value, goods and services	11.3	10.9	10.9	11.0	11.0	11.0	10.5	10.5	10.0	10.0	9.5	9.5	9.1
Imports value, goods and services	20.7	19.5	19.5	18.6	18.6	18.6	17.8	17.8	17.0	17.0	16.2	16.2	15.5
Current external balance, including official transfers	-5.9	-6.0	-6.0	-6.0	-6.0	-6.0	-6.1	-6.1	-6.2	-6.2	-6.3	-6.3	-6.3
Gross reserves in months of next yr's imports	5.5	5.2	5.2	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.6
Gross reserves in months of this yr's imports	6.3	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.9	5.9	5.9
Public debt													
Nominal central government debt (eop), gross	65.8	69.2	69.1	69.3	69.9	69.8	68.1	68.5	65.2	65.7	62.1	63.0	59.1
Nominal debt (eop), net of deposits	60.8	64.1	64.0	65.3	65.4	65.2	64.4	64.4	61.9	62.1	59.1	59.7	56.1
Domestic (gross)	31.2	33.2	33.1	35.4	35.1	35.1	35.6	34.5	35.0	34.2	34.1	34.2	35.4
Domestic (net)	26.3	28.1	28.1	31.3	30.6	30.5	31.9	30.5	31.7	30.5	31.1	30.9	32.4
External	34.6	36.0	36.0	34.0	34.8	34.7	32.5	33.9	30.2	31.5	28.0	28.8	23.7
Memorandum Items:													
Nominal GDP (in Ksh Billion)	10,175	11,147	11,169	12,393	12,365	12,393	13,760	13,760	15,373	15,373	17,128	17,128	19,064
Nominal GDP (in US$ Million)	96,332	102,409	102,611	114,334	114,072	114,334	126,082	126,082	139,749	139,749	155,429	155,429	172,380

Notes: BPS = Budget Policy Statement; BROP = Budget Review & Outlook Paper; SGR = Standard Gauge Railway

Source of Data: The National Treasury

Annex Table 2: Government Operations for the FY 2019/20 - 2025/26 Period, Ksh Billion

	2020/21		2021/22			2022/23		2023/24		2024/25		2025/26
	Rev. Budget II	Pre. Act	BPS'21	Approved Budget	Proj.	BPS'21	BROP'21	BPS'21	BROP'21	BPS'21	BROP'21	BROP'21
TOTAL REVENUE	**1,837.8**	**1,783.7**	**2,033.6**	**2,038.7**	**2,069.8**	**2,379.3**	**2,405.3**	**2,795.9**	**2,817.6**	**3,099.3**	**3,130.6**	**3,479.6**
Ordinary Revenue	1,578.8	1,562.0	1,775.6	1,775.6	1,806.8	2,141.6	2,141.6	2,516.3	2,516.3	2,807.4	2,807.4	3,144.3
Income Tax	697.0	694.1	834.5	834.5	827.6	997.3	981.5	1,178.6	1,153.7	1,316.2	1,288.1	1,451.1
Import duty (net)	102.4	108.4	119.0	119.0	120.3	144.9	144.9	170.4	170.4	187.5	187.5	209.3
Excise duty	218.0	216.3	241.0	241.0	260.6	297.2	298.0	346.9	346.9	389.7	389.7	432.3
Value Added Tax	403.1	410.8	472.9	472.9	477.1	584.7	583.2	691.6	691.6	774.3	774.3	875.8
Investment income	40.1	45.1	30.0	30.0	30.0	31.5	31.5	33.1	33.1	34.7	34.7	35.1
Other	118.2	87.4	78.2	78.2	91.2	86.0	102.5	95.7	120.6	105.0	133.1	140.8
Ministerial Appropriation in Aid	**259.0**	**221.7**	**257.9**	**263.0**	**263.0**	**237.7**	**263.7**	**279.6**	**301.3**	**291.9**	**323.2**	**335.2**
EXPENDITURE AND NET LENDING	**2,886.9**	**2,749.5**	**3,010.0**	**3,030.3**	**3,063.1**	**3,199.4**	**3,228.0**	**3,495.6**	**3,551.1**	**3,762.9**	**3,869.1**	**4,258.6**
Recurrent expenditure	1,819.6	1,796.6	1,986.0	1,991.9	2,021.2	2,117.4	2,141.2	2,318.6	2,364.2	2,506.0	2,593.4	2,848.4
Interest payments	460.9	495.1	560.6	560.3	591.1	644.0	659.2	695.6	719.8	713.8	777.0	849.7
Domestic interest	353.1	388.8	421.7	421.9	459.8	482.4	515.2	508.0	563.3	518.7	615.0	671.3
Foreign Interest	107.7	106.3	138.9	138.4	131.3	161.5	144.1	187.6	156.4	195.1	162.1	178.4
Pensions & Other CFS	115.3	112.9	137.0	137.2	135.7	150.4	150.4	167.9	168.1	192.6	192.9	217.6
Pensions	111.1	110.3	132.8	132.8	132.8	146.0	146.0	163.5	163.5	188.1	188.1	212.5
Other CFS	4.2	2.6	4.2	4.4	2.9	4.4	4.4	4.4	4.6	4.6	4.9	5.1
Contribution to Civil ServicePension Fund	3.3	3.3	21.6	20.8	20.8	22.9	25.9	23.8	28.5	24.8	31.3	34.4
Net Issues/Net Expenditure	1,081.4	1,051.7	1,093.6	1,106.6	1,106.6	1,152.9	1,142.9	1,250.3	1,250.3	1,388.3	1,388.3	1,541.4
O/W: Wages & Salaries	493.9	493.0	524.5	526.1	526.1	550.7	550.7	588.3	602.8	635.3	645.3	703.4
IEBC	4.3	4.9	14.4	14.2	14.2	16.5	16.5	6.5	6.5	6.9	6.9	6.9
Defense and NIS	152.0	157.7	156.9	157.1	157.1	161.9	161.9	170.0	170.0	170.0	170.0	170.0
Nairobi Metropolitan Service (NMS)	16.3	16.3	14.8	14.8	14.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	321.4	301.2	256.2	297.7	312.5	268.1	258.0	327.0	312.4	411.0	401.0	496.0
Ministerial Recurrent AIA	155.4	133.6	170.0	163.8	163.8	147.2	162.9	180.8	197.5	186.6	203.9	205.3
Ministerial Recurrent AIA - NMS	3.3	0.0	3.2	3.2	3.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Development and Net lending	**668.3**	**553.9**	**609.1**	**623.5**	**627.0**	**670.5**	**675**	**760**	**769.6**	**834.4**	**853.2**	**962.8**
Domestically financed (Gross)	417.8	386.9	317.6	335.2	338.7	350.3	355.0	401.8	411.7	436.8	455.6	522.8
O/W Domestically Financed (Net)/NMS	325.5	308.2	243.6	249.7	249.7	274.2	264.2	318.4	318.4	347.3	347.3	404.1
Ministerial Development AIA	84.8	78.7	64.8	79.8	79.8	76.0	90.7	83.4	93.3	90.7	109.5	141.9
Foreign financed	250.5	167.0	284.7	281.4	281.4	312.7	312.7	349.9	349.9	390.0	390.0	431.7
Net lending	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equalization Fund	0.0	0.0	6.8	6.8	6.8	7.5	7.5	8.0	8.0	7.6	7.6	8.3
County Tranfers	**398.9**	**399.0**	**409.8**	**409.9**	**409.9**	**406.5**	**406.5**	**412.3**	**412.3**	**417.5**	**417.5**	**442.5**
Equitable Share	346.2	346.2	370.0	370.0	370.0	370.0	370.0	375.0	375.0	380.2	380.2	405.2
Conditional Allocation	52.7	52.8	39.8	39.9	39.9	36.5	36.5	37.3	37.3	37.3	37.3	37.3
Contingency Fund	**0.0**	**0.0**	**5.0**	**5.0**	**5.0**	**5.0**	**5.0**	**5.0**	**5.0**	**5.0**	**5.0**	**5.0**
Fiscal Balance ***(commitment basis excl. grants)***	**-1,049.0**	**-965.7**	**-976.5**	**-991.7**	**-993.2**	**-820.1**	**-822.7**	**-699.7**	**-733.6**	**-663.6**	**-738.6**	**-779.1**
Grants	**72.8**	**31.3**	**46.1**	**62.0**	**62.0**	**46.9**	**46.9**	**48.1**	**48.1**	**49.3**	**49.3**	**53.2**
Fiscal Balance ***(incl. grants)***	**-976.2**	**-934.4**	**-930.4**	**-929.7**	**-931.2**	**-773.2**	**-775.8**	**-651.6**	**-685.5**	**-614.3**	**-689.3**	**-725.8**
Adjustment to Cash Basis	0.0	5.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fiscal Balance ***(incl. grants) Cash Basis***	**-976.2**	**-929.3**	**-930.4**	**-929.7**	**-931.2**	**-773.2**	**-775.8**	**-651.6**	**-685.5**	**-614.3**	**-689.3**	**-725.8**
Statistical discrepancy	0.0	20.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL FINANCING	**976.2**	**950.2**	**930.4**	**929.7**	**931.2**	**773.2**	**775.8**	**651.6**	**685.5**	**614.3**	**689.3**	**725.8**
Net Foreign Financing	**417.6**	**323.3**	**267.3**	**271.2**	**283.5**	**326.4**	**367.8**	**235.7**	**181.2**	**154.3**	**86.4**	**115.6**
Disbuserments	**769.6**	**451.6**	**880.6**	**884.3**	**896.6**	**605.5**	**617.8**	**517.8**	**674.2**	**381.1**	**381.1**	**415.4**
Commercial Financing	350.5	114.3	475.3	475.3	475.3	0.0	105.6	0.0	270.0	0.0	0.0	0.0
O/W Export Credt	6.7	6.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sovereign Bond	123.8	107.6	124.3	124.3	124.3	0	105.6	0	270.0	0	0.0	0.0
External Debt Operations - Refinancing	220.0	0.0	351.0	351.0	351.0	0.0	0.0			0.0	0.0	0.0
Semi consessional Loans	0.0	0.0	0.0	0.0	0.0	105.6	0.0	113.6	0.0	0.0	0.0	0.0
Total Project loans (AIA + Revenue)	233.8	168.7	273.5	273.5	273.5	302.0	302.0	338.8	338.8	377.6	377.6	415.4
O/W Project Loans AIA	131.1	104.8	181.6	170.3	170.3	204.3	204.3	239.1	239.1	263.0	263.0	289.3
Project Loans Revenue	90.7	52.4	91.9	103.2	103.2	97.7	97.7	99.7	99.7	114.6	114.6	126.1
Project Loans SGR _Phase I_ AIA	4.6	4.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Project Loans SGR _ Phase 2A_AIA	7.3	6.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Programme Loans	185.3	168.6	131.8	135.4	147.7	197.8	210.1	65.4	65.4	3.5	3.5	0.0
Debt repayment - Principal	-352.0	-128.3	-613.4	-613.1	-613.1	-279.1	-250.0	-282.1	-493.0	-226.9	-294.8	-299.8
of which: External Debt Operations - Refinancing	0.0	0.0	-351.0	-351.0	-351.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Domestic Financing	**558.7**	**626.9**	**663.1**	**658.5**	**647.7**	**446.8**	**408.0**	**415.9**	**504.3**	**460.0**	**602.9**	**610.2**
Memo items												
Gross Debt (Stock)	7,664.2	7,713.3	8,593.8	8,593.8	8,644.5	9,369.1	9,420.2	10,020.3	10,105.7	10,634.1	10,795.0	11,260.3
External Debt	3,942.8	4,015.2	4,209.0	4,209.0	4,298.7	4,472.2	4,666.5	4,646.0	4,847.7	4,800.2	4,934.0	4,514.6
Domestic Debt (gross)	3,721.4	3,698.0	4,384.8	4,384.8	4,345.8	4,897.0	4,753.8	5,374.3	5,258.0	5,833.9	5,860.9	6,745.7
Domestic Debt (net)	3,218.1	3,134.5	3,881.5	3,881.5	3,782.2	4,393.6	4,190.2	4,871.0	4,694.4	5,330.6	5,297.3	6,182.1
Financing gap	0.0	15.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nominal GDP	**11,146.5**	**11,168.5**	**12,393.1**	**12,364.7**	**12,393.1**	**13,759.9**	**13,759.9**	**15,373.1**	**15,373.1**	**17,128.4**	**17,128.4**	**19,063.9**

Source of Data: The National Treasury

Annex Table 3: Government Operations for the FY 2019/20 - 2025/26 Period (% of GDP)

	2020/21		2021/22			2022/23		2023/24		2024/25		2025/26
	Rev. Budget II	Pre. Act	BPS'21	Approved Budget	Proj.	BPS'21	BROP'21	BPS'21	BROP'21	PROJ.	BROP'21	BROP'21
TOTAL REVENUE	**16.5**	**16.0**	**16.4**	**16.5**	**16.7**	**17.3**	**17.5**	**18.2**	**18.3**	**18.1**	**18.3**	**18.3**
Ordinary Revenue	**14.2**	**14.0**	**14.3**	**14.4**	**14.6**	**15.6**	**15.6**	**16.4**	**16.4**	**16.4**	**16.4**	**16.5**
Income Tax	6.3	6.2	6.7	6.7	6.7	7.2	7.1	7.7	7.5	7.7	7.5	7.6
Import duty (net)	0.9	1.0	1.0	1.0	1.0	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Excise duty	2.0	1.9	1.9	1.9	2.1	2.2	2.2	2.3	2.3	2.3	2.3	2.3
Value Added Tax	3.6	3.7	3.8	3.8	3.8	4.2	4.2	4.5	4.5	4.5	4.5	4.6
Investment income	0.4	0.4	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Other	1.1	0.8	0.6	0.6	0.7	0.6	0.7	0.6	0.8	0.6	0.8	0.7
Ministerial Appropriation in Aid	**2.3**	**2.0**	**2.1**	**2.1**	**2.1**	**1.7**	**1.9**	**1.8**	**2.0**	**1.7**	**1.9**	**1.8**
EXPENDITURE AND NET LENDING	**25.9**	**24.6**	**24.3**	**24.5**	**24.7**	**23.3**	**23.5**	**22.7**	**23.1**	**22.0**	**22.6**	**22.3**
Recurrent expenditure	**16.3**	**16.1**	**16.0**	**16.1**	**16.3**	**15.4**	**15.6**	**15.1**	**15.4**	**14.6**	**15.1**	**14.9**
Interest payments	4.1	4.4	4.5	4.5	4.8	4.7	4.8	4.5	4.7	4.2	4.5	4.5
Domestic interest	3.2	3.5	3.4	3.4	3.7	3.5	3.7	3.3	3.7	3.0	3.6	3.5
Foreign Interest	1.0	1.0	1.1	1.1	1.1	1.2	1.0	1.2	1.0	1.1	0.9	0.9
Civil service Reform	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pensions & Other CFS	1.0	1.0	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Pensions	1.0	1.0	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Other CFS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contribution to Civil ServicePension Fund	0.0	0.0	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.2	0.2
Net Issues/Net Expenditure	9.7	9.4	8.8	8.9	8.9	8.4	8.3	8.1	8.1	8.1	8.1	8.1
O/W: Wages & Salaries	4.4	4.4	4.2	4.3	4.2	4.0	4.0	3.8	3.9	3.7	3.8	3.7
IEBC	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Defense and NIS	1.4	1.4	1.3	1.3	1.3	1.2	1.2	1.1	1.1	1.0	1.0	0.9
Nairobi Metropolitan Service (NMS)	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	2.9	2.7	2.1	2.4	2.5	1.9	1.9	2.1	2.0	2.4	2.3	2.6
Ministerial Recurrent AIA	1.4	1.2	1.4	1.3	1.3	1.1	1.2	1.2	1.3	1.1	1.2	1.1
Ministerial Recurrent AIA - NMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Development and Net lending	**6.0**	**5.0**	**4.9**	**5.0**	**5.1**	**4.9**	**4.9**	**4.9**	**5.0**	**4.9**	**5.0**	**5.1**
Domestically financed (Gross)	3.7	3.5	2.6	2.7	2.7	2.5	2.6	2.6	2.7	2.5	2.7	2.7
O/W Domestically Financed (Net)/NMS	2.9	2.8	2.0	2.0	2.0	2.0	1.9	2.1	2.1	2.0	2.0	2.1
Ministerial Development AIA	0.8	0.7	0.5	0.6	0.6	0.6	0.7	0.5	0.6	0.5	0.6	0.7
Foreign financed	2.2	1.5	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Net lending	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equalization Fund	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0
County Tranfers	**3.6**	**3.6**	**3.3**	**3.3**	**3.3**	**3.0**	**3.0**	**2.7**	**2.7**	**2.4**	**2.4**	**2.3**
Equitable Share	**3.1**	**3.1**	**3.0**	**3.0**	**3.0**	**2.7**	**2.7**	**2.4**	**2.4**	**2.2**	**2.2**	**2.1**
Conditional Allocation	0.5	0.5	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2
Contingency Fund	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Fiscal Balance (commitment basis excl. grants)	**-9.4**	**-8.6**	**-7.9**	**-8.0**	**-8.0**	**-6.0**	**-6.0**	**-4.6**	**-4.8**	**-3.9**	**-4.3**	**-4.1**
Grants	**0.7**	**0.3**	**0.4**	**0.5**	**0.5**	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**
Fiscal Balance (incl. grants)	**-8.8**	**-8.4**	**-7.5**	**-7.5**	**-7.5**	**-5.6**	**-5.6**	**-4.2**	**-4.5**	**-3.6**	**-4.0**	**-3.8**
Adjustment to Cash Basis	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fiscal Balance (incl. grants) Cash Basis	-8.8	-8.3	-7.5	-7.5	-7.5	-5.6	-5.6	-4.2	-4.5	-3.6	-4.0	-3.8
Statistical discrepancy	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL FINANCING	**8.8**	**8.5**	**7.5**	**7.5**	**7.5**	**5.6**	**5.6**	**4.2**	**4.5**	**3.6**	**4.0**	**3.8**
Net Foreign Financing	**3.7**	**2.9**	**2.2**	**2.2**	**2.3**	**2.4**	**2.7**	**1.5**	**1.2**	**0.9**	**0.5**	**0.6**
Disbuserments	**6.9**	**4.0**	**7.1**	**7.2**	**7.2**	**4.4**	**4.5**	**3.4**	**4.4**	**2.2**	**2.2**	**2.2**
Commercial Financing	**3.1**	**1.0**	**3.8**	**3.8**	**3.8**	**0.0**	**0.8**	**0.0**	**1.8**	**0.0**	**0.0**	**0.0**
O/W Export Credt	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sovereign Bond	1.1	1.0	1.0	1.0	1.0	0.0	0.8	0.0	1.8	0.0	0.0	0.0
External Debt Operations - Refinancing	2.0	0.0	2.8	2.8	2.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Semi consessional Loans	0.0	0.0	0.0	0.0	0.0	0.8	0.0	0.7	0.0	0.0	0.0	0.0
Total Project loans (AIA + Revenue)	2.1	1.5	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
O/W Project Loans AIA	1.2	0.9	1.5	1.4	1.4	1.5	1.5	1.6	1.6	1.5	1.5	1.5
Project Loans Revenue	0.8	0.5	0.7	0.8	0.8	0.7	0.7	0.6	0.6	0.7	0.7	0.7
Project Loans SGR _Phase I_ AIA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Project Loans SGR _ Phase 2A_AIA	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Programme Loans	1.7	1.5	1.1	1.1	1.2	1.4	1.5	0.4	0.4	0.0	0.0	0.0
Debt repayment - Principal	**-3.2**	**-1.1**	**-4.9**	**-5.0**	**-4.9**	**-2.0**	**-1.8**	**-1.8**	**-3.2**	**-1.3**	**-1.7**	**-1.6**
of which: External Debt Operations - Refinancing	0.0	0.0	-2.8	-2.8	-2.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Domestic Financing	**5.0**	**5.6**	**5.4**	**5.3**	**5.2**	**3.2**	**3.0**	**2.7**	**3.3**	**2.7**	**3.5**	**3.2**
Memo items												
Gross Debt (Stock)	68.8	69.1	69.3	69.5	69.8	68.1	68.5	65.2	65.7	62.1	63.0	59.1
External Debt	35.4	36.0	34.0	34.0	34.7	32.5	33.9	30.2	31.5	28.0	28.8	23.7
Domestic Debt (gross)	33.4	33.1	35.4	35.5	35.1	35.6	34.5	35.0	34.2	34.1	34.2	35.4
Domestic Debt (net)	28.9	28.1	31.3	31.4	30.5	31.9	30.5	31.7	30.5	31.1	30.9	32.4
Financing gap	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nominal GDP	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source of Data: The National Treasury

Annex Table 4: Budget Calendar for the Medium-Term Budget

ANNEX I: BUDGET CALENDAR FOR THE FY 2022/23 MEDIUM-TERM BUDGET		
		FY2022/23
ACTIVITY	RESPONSIBILITY	DEADLINE
1. Develop and issue MTEF guidelines	**National Treasury**	**15-Jul-21**
2. Launch of Sector Working Groups	**National Treasury**	**27-Jul-21**
3. Programme Performance & Strategic Reviews	**MDAs**	**12-Aug-21**
3.1 Review and update of strategic plans	"	"
3.2 Review of programme outputs and outcomes	"	"
3.3 Expenditure Review	"	"
3.4 Review and approval of projects for FY2022/23	Project Committees	"
3.5 Progress report on MTP implementation	"	"
3.6 Preparation of annual plans	"	"
4. Development of Medium-Term Budget Framework	**Macro Working Group**	**7-Sep-21**
4.1 Estimation of Resource Envelope	"	27-Aug-21
4.2 Determination of policy priorities	"	"
4.3 Preliminary resource allocation to Sectors, Parliament, Judiciary & Counties	"	"
4.4 Draft Budget Review and Outlook Paper (BROP)	"	"
4.5 Submission and approval of BROP by Cabinet	"	31-Aug-21
4.6 Submission of approved BROP to Parliament	"	**7-Sep-21**
5. Preparation of MTEF budget proposals	**Line Ministries**	**18-Oct-21**
5.1 Retreats to draft Sector Reports	Sector Working Group	5-25 Sep -21
5.2 Public Sector Hearing	National Treasury	6-8 Oct-21
5.3 Review and incorporation of stakeholder inputs in the Sector proposals	Sector Working Group	12-Oct-21
5.4 Submission of Sector Report to Treasury	Sector Chairpersons	14-Oct-21
5.5 Consultative meeting with CSs/PSs on Sector Budget proposals	National Treasury	19-Oct-21
6. Draft Budget Policy Statement (BPS)	**Macro Working Group**	**10-Nov-21**
6.1 Draft BPS	Macro Working Group	28-Oct-21
6.2 Division of Revenue Bill (DORB)	National Treasury	"
6.3 County Allocation of Revenue Bill (CARB)	National Treasury	"
6.4 Submission of BPS, DORB and CARB to Cabinet for approval	National Treasury	2-Nov-21
6.6 Submission of BPS, DORB and CARB to Parliament for approval	National Treasury	8-Nov-21
7. Preparation of the Pre-Election Report	**National Treasury**	**31-Jan-22**
8. Preparation and approval of Final MDAs Budgets		**31-Mar-22**
8.1 Develop and issue final guidelines on preparation of 2022/23 MTEF Budget	National Treasury	17-Dec-21
8.2 Submission of Budget Proposals to Treasury	Line Ministries	10-Jan-22
8.3 Consolidation of the Draft Budget Estimates	National Treasury	26-Jan-22
8.4 Submission to Cabinet for Approval	National Treasury	26-Jan-22
8.5 Submission of Draft Budget Estimates to Parliament	National Treasury	31-Jan-22
8.6 Review of Draft Budget Estimates by Parliament	National Assembly	22-Feb-22
8.7 Report on Draft Budget Estimates from Parliament	National Assembly	24-Feb-22
8.8 Consolidation of the Final Budget Estimates	National Treasury	4-Mar-22
8.9 Submission of Appropriation Bill to Parliament	National Treasury	8-Mar-22
8.10 Submission of Vote on Account to Parliament	National Treasury	8-Mar-22
9. Budget Statement	**National Treasury**	**10-Mar-22**
10. Appropriation Bill passed	**National Assembly**	**31-Mar-22**
11. Finance Bill Passed	**National Assembly**	**31-Mar-22**

Source: National Treasury

Annex Table 5: County Governments' Fiscal Performance (July 2020 to March 2021)

	Own Source Revenue (Kshs M)			Budget Estimates (Ksh M)					Expenditure (Ksh M)					Absorption Rate (%)		
County	Target	Actual	% of actual OSR over Target	Rec't	% of Rec't over Total Budget	Dev't	% of Dev't over Total Budget	TOTAL	Rec't	% of Rec't over Total Expen.	Dev't	% of Dev't over Total Expen.	TOTAL	Rec't	Dev't	TOTAL
Baringo	393.42	245.9	62.5	4,383.00	50.5	4,298.52	49.5	8,681.5	2,935.16	82.5	624.67	17.5	3,559.8	67%	15%	41%
Bomet	275.92	138.58	50.2	4,470.70	63.1	2,616.92	36.9	7,087.6	2,785.80	82.1	606.76	17.9	3,392.6	62%	23%	48%
Bungoma	893.75	600.75	67.2	9,015.27	66.3	4,581.80	33.7	13,597.1	5,348.37	78.7	1,449.89	21.3	6,798.3	59%	32%	50%
Busia	504.5	186.6	37.0	5,350.35	57.7	3,915.25	42.3	9,265.6	3,261.24	81.1	760.76	18.9	4,022.0	61%	19%	43%
Elgeyo Marakwet	152	93.65	61.6	3,342.12	58.0	2,425.00	42.0	5,767.1	2,301.77	82.8	477.88	17.2	2,779.7	69%	20%	48%
Embu	900	401.86	44.7	4,331.36	65.5	2,279.60	34.5	6,611.0	2,915.76	87.1	433.42	12.9	3,349.2	67%	19%	51%
Garissa	150	71.37	47.6	6,122.97	56.0	4,807.49	44.0	10,930.5	4,194.48	80.4	1,020.10	19.6	5,214.6	69%	21%	48%
Homa Bay	207.59	97.29	46.9	5,424.72	65.1	2,913.07	34.9	8,337.8	3,800.04	76.0	1,199.07	24.0	4,999.1	70%	41%	60%
Isiolo	170.86	114.16	66.8	3,401.67	59.1	2,349.49	40.9	5,751.2	1,817.25	66.9	898.28	33.1	2,715.5	53%	38%	47%
Kajiado	1,793.86	531.68	29.6	6,324.65	61.5	3,961.80	38.5	10,286.5	4,010.34	79.7	1,018.40	20.3	5,028.7	63%	26%	49%
Kakamega	2,131.64	881.2	41.3	8,269.11	53.0	7,341.27	47.0	15,610.4	5,186.88	62.6	3,098.86	37.4	8,285.7	63%	42%	53%
Kericho	913.94	278.53	30.5	4,608.07	53.5	4,003.31	46.5	8,611.4	3,156.76	77.4	921.57	22.6	4,078.3	69%	23%	47%
Kiambu	3,853.59	1,895.64	49.2	11,502.40	64.2	6,412.96	35.8	17,915.4	7,788.32	78.8	2,095.81	21.2	9,884.1	68%	33%	55%
Kilifi	1,100.00	619.5	56.3	8,470.42	57.5	6,253.22	42.5	14,723.6	4,884.48	80.4	1,193.45	19.6	6,077.9	58%	19%	41%
Kirinyanga	480	286.9	59.8	4,295.81	70.1	1,835.80	29.9	6,131.6	2,428.78	79.7	616.99	20.3	3,045.8	57%	34%	50%
Kisii	870	286.68	33.0	8,456.98	66.2	4,311.71	33.8	12,768.7	5,289.49	81.0	1,237.99	19.0	6,527.5	63%	29%	51%
Kisumu	1,438.48	672.34	46.7	7,541.37	62.6	4,514.77	37.4	12,056.1	5,141.81	80.6	1,237.99	19.4	6,379.8	68%	27%	53%
Kitui	600	316.38	52.7	7,214.84	63.4	4,163.66	36.6	11,378.5	5,252.77	78.1	1,469.24	21.9	6,722.0	73%	35%	59%
Kwale	325	205.34	63.2	5,984.17	45.6	7,124.77	54.4	13,108.9	3,458.03	67.9	1,638.43	32.1	5,096.5	58%	23%	39%
Laikipia	1,006.88	507.96	50.4	4,277.97	60.2	2,827.66	39.8	7,105.6	3,032.64	84.4	560.65	15.6	3,593.3	71%	20%	51%
Lamu	100	46.92	46.9	2,655.94	56.1	2,080.38	43.9	4,736.3	2,487.23	82.6	523.19	17.4	3,010.4	94%	25%	64%
Machakos	1,608.58	1,085.63	67.5	8,105.62	60.1	5,385.75	39.9	13,491.4	5,446.78	83.8	1,054.31	16.2	6,501.1	67%	20%	48%
Makueni	655.24	356.57	54.4	6,332.08	56.6	4,847.56	43.4	11,179.6	4,409.14	80.2	1,090.73	19.8	5,499.9	70%	23%	49%
Mandera	183.56	87.85	47.9	6,510.52	50.1	6,476.97	49.9	12,987.5	4,774.80	63.9	2,699.62	36.1	7,474.4	73%	42%	58%
Marsabit	170	107.22	63.1	4,170.14	50.0	4,173.39	50.0	8,343.5	2,845.92	61.1	1,813.73	38.9	4,659.7	68%	43%	56%
Meru	825	320	38.8	7,847.65	70.1	3,346.00	29.9	11,193.7	5,453.71	88.0	746.58	12.0	6,200.3	69%	22%	55%
Migori	450	250.55	55.7	5,552.51	58.2	3,989.35	41.8	9,541.9	3,384.09	84.3	630.23	15.7	4,014.3	61%	16%	42%
Mombasa	5,000.00	2,443.08	48.9	9,357.92	63.8	5,309.28	36.2	14,667.2	5,134.11	73.4	1,856.70	26.6	6,990.8	55%	35%	48%
Muranga	960	471.64	49.1	5,495.23	61.3	3,472.57	38.7	8,967.8	3,209.18	60.6	2,090.52	39.4	5,299.7	58%	60%	59%
Nairobi	17,316.30	7,238.76	41.8	25,710.13	69.5	11,271.26	30.5	36,981.4	14,253.70	91.9	1,253.77	8.1	15,507.5	55%	11%	42%
Nakuru	3,100.00	1,968.76	63.5	10,806.49	49.7	10,943.61	50.3	21,750.1	6,413.03	80.4	1,559.65	19.6	7,972.7	59%	14%	37%
Nandi	628.82	175.74	27.9	5,106.23	60.0	3,407.23	40.0	8,513.5	3,657.66	81.4	833.95	18.6	4,491.6	72%	24%	53%
Narok	3,190.31	2,183.81	68.5	7,913.99	62.1	4,826.81	37.9	12,740.8	5,609.69	84.3	1,042.42	15.7	6,652.1	71%	22%	52%
Nyamira	250	129.34	51.7	4,901.38	70.0	2,100.59	30.0	7,002.0	3,201.48	84.7	578.25	15.3	3,779.7	65%	28%	54%
Nyandarua	630	246.74	39.2	4,909.39	61.5	3,074.32	38.5	7,983.7	2,776.55	95.7	125.3	4.3	2,901.9	57%	4%	36%
Nyeri	1,000.00	524.81	52.5	5,787.88	65.5	3,055.15	34.5	8,843.0	4,261.99	88.8	539.31	11.2	4,801.3	74%	18%	54%
Samburu	267.03	205.21	76.8	4,494.77	64.8	2,441.51	35.2	6,936.3	2,471.93	94.4	147.37	5.6	2,619.3	55%	6%	38%
Siaya	420	130.54	31.1	4,870.25	52.8	4,353.10	47.2	9,223.4	3,237.80	80.9	766.43	19.1	4,004.2	66%	18%	43%
Taita Taveta	350	206.53	59.0	3,466.84	60.4	2,275.47	39.6	5,742.3	2,513.79	89.7	289.32	10.3	2,803.1	73%	13%	49%
Tana River	66	63.45	96.1	5,333.27	66.4	2,702.05	33.6	8,035.3	2,896.56	70.2	1,231.79	29.8	4,128.4	54%	46%	51%
TharakaNithi	350	181.98	52.0	3,399.25	67.0	1,676.08	33.0	5,075.3	2,222.07	77.2	656.44	22.8	2,878.5	65%	39%	57%
Trans Nzoia	500	151.01	30.2	4,692.50	58.8	3,281.89	41.2	7,974.4	3,143.75	73.5	1,131.19	26.5	4,274.9	67%	34%	54%
Turkana	250	112.79	45.1	10,120.27	67.9	4,792.36	32.1	14,912.6	5,236.91	86.8	799.74	13.2	6,036.7	52%	17%	40%
Uasin Gishu	900	660.94	73.4	5,217.34	45.5	6,253.09	54.5	11,470.4	3,507.28	74.9	1,173.89	25.1	4,681.2	67%	19%	41%
Vihiga	192.09	128	66.6	4,174.81	59.3	2,868.40	40.7	7,043.2	2,714.68	76.5	835.59	23.5	3,550.3	65%	29%	50%
Wajir	150	47.9	31.9	6,224.00	54.3	5,244.33	45.7	11,468.3	4,482.64	79.7	1,138.66	20.3	5,621.3	72%	22%	49%
West Pokot	150.32	77.24	51.4	4,155.10	64.7	2,265.70	35.3	6,420.8	3,079.76	83.4	610.99	16.6	3,690.8	74%	27%	57%
TOTAL	57,824.7	28,035.3	48.5	300,099.5	60.1	198,852.3	39.9	498,951.7	191,816.4	79.4	49,779.9	20.6	241,596.3	64%	25%	48%

Source of Data: Controller of Budget